Austria ... Sch. 20	Indonesia ... Rp 3100	Philippines .. Pes. 20
Bahrain ... Din 0.650	Israel ..... NS 3.50	Portugal .. Esc 120
Belgium ..... BFr 45	Italy ...... L 1600	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore .. S$ 4.10
Cyprus .... C£0.75	Jordan ..... Fils 500	Spain .... Pta 125
Denmark .. DKr 9.00	Kuwait ..... Fils 500	Sri Lanka ... Rup 30
Egypt ..... E£1.50	Lebanon .. £L 50.00	Sweden ... SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr 2.20
France ... FFr. 8.50	Malaysia .. Rm 4.25	Taiwan .... NT $65
Germany .. DM 2.20	Mexico ... Pes. 300	Tunisia .. Din 0.800
Greece ...... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands .. Fl 3.00	U.A.E. ... Dh 6.50
India ..... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,180 — Tuesday March 10 1987 — D 8523 B

Mexico: selection of the presidential chosen one, Page 6

World news

Syrians urged to enter Shia stronghold

Lebanese Druze leader Walid Jumblatt called for *Syrian troops to enter* Shia-held suburbs of southern Beirut where, he said, British church envoy Terry Waite was in the hands of the pro-Iranian Hizbollah (Party of God).

But Hizbollah official Abbas Musawi warned in Tyre against such a move by Syria. He said: "We are restraining ourselves but if the situation explodes we will blow up the whole world and its people."

Meanwhile Lebanese Shia Moslem militia chief Nabih Berri expressed optimism about the possible release of four foreign professors, including three Americans, kidnapped by militants in Lebanon.

Philippines campaign

Campaigning began in the Philippines for seats in a new two-house Congress. Meanwhile an army officer accused of leading a coup attempt warned of action to undermine President Aquino's Government unless she boosted military morale. Page 5

Working hours offer

Engineering industry employers in North Rhine-Westphalia offered more pay for fewer working hours as 33,000 IG Metall members staged warning stoppages.

Chad peace talks

Sudan's Prime Minister Sadeq al-Mahdi confirmed that Chad and Libya were holding secret peace talks in Khartoum. Page 5

French concern

French Foreign Minister Jean-Bernard Raimond expressed concern that Japan and the US were bypassing Europe by striking deals on trade and currency measures.

Emergency powers

President Pinochet of Chile renewed emergency powers giving him the right to restrict freedom of movement, assembly and information for another 90 days.

Spanish strikes

Doctors, miners, students and university teachers joined strikes in Spain over job reforms and government spending.

German farm protest

About 8,000 West German farmers marched through Kiel in protest against EEC agricultural policies, burning straw effigies of the two West German members of the EEC Executive Commission.

Greek snow chaos

Snow fell on Rhodes for the first time in memory as blizzards swept across Greece, severing transport links and cutting telephone and power services. Winter's visit, Page 4

State aid ruling

West German synthetic fibres producer Deufil must repay to the Bonn Government DM 2.9m ($1.6m) in *illicit state aid*, the European Court of Justice ruled.

Complaint rejected

The US Defence Department rejected complaints by the American Jewish Congress over the planned sale of armour piercing anti-tank shells to four Arab countries. It said the shells, made with extra hard depleted uranium, might also be sold to Israel and other nations on request.

Domestic knock-out

West German Graciano Rocchigiani's European boxing title fight next month with Alex Blanchard of the Netherlands was called off after he was injured in a fight with his girlfriend.

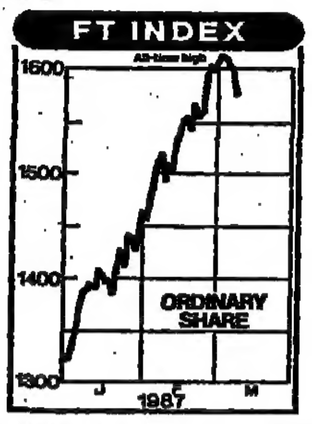
Business summary

US stores group faces bid of $1.6bn

SUPERMARKETS General of the *US received an unsolicited $1.6bn* offer from the wealthy Fast family, owners of the Dart Group. Earlier story, Page 21

WALL STREET: The Dow Jones industrial average closed down 20.11 at 2,280.12. Page 44

TOKYO: Early gains were reduced and the Nikkei market average closed 43.30 higher at 21,166.40. Page 44



LONDON: The base rate cut failed to inspire stocks as exporters were hit by firmer sterling. The FT-SE 100 dropped 24.5 to 1,973.7 and the FT Ordinary index lost 25.1 to 1,576.3. Gilts also fell. Page 42

GOLD fell $2.50 on the London bullion market to close at $404.50. It also fell in Zurich to $404.75 ($406.15) Page 36

DOLLAR closed in New York at DM 1.8595; SFr 1.5685; FFr 6.185 and Y 153.925. It rose in London to DM 1.8550 (DM 1.8395); to FFr 6.1725 (FFr 6.1200); to SFr 1.5650 (SFr 1.5500); and to Y153.80 (Y153.40). On Bank of England figures the dollar's exchange rate index rose to 104.5 (103.9). Page 37

STERLING closed in New York at $1.5880. It fell in London to $1.5880 ($1.5900); but rose to DM 2.9450 (DM 2.9250); to FFr 9.8025 (FFr 9.7300); to SFr 2.4850 (SFr 2.4650); and to Y244.25 (Y244.00). On Bank of England figures the pound's exchange rate index rose to 104.5 (103.9). Page 37

DONALD TRUMP, New York property developer and casino operator, emerged victorious in the struggle for control of Resorts International. Also in the US gaming industry, a $849m bid was launched for Caesars World. Page 21

NEW YORK Superintendent of Insurance has filed a $140m lawsuit against Frank B. Hall, troubled US insurance brokerage firm, and its auditors Touche Ross, in a bid to recoup losses arising from the insolvency of one of Hall's insurance subsidiaries. Page 21

FRANCE'S social security system recorded a deficit of FFr 20.9bn ($3.4bn) in 1986 and is expected to see its losses deepen to FFr 30bn this year. Page 20

BABCOCK International, UK engineering and contracting group, signalled the end of almost 70 years' investment in Japan with agreement to sell its 20 per cent stake in Babcock Hitachi for £35m ($55m). Page 27

EUROC, Swedish building materials, engineering and trading group, reported a 6.8 per cent fall in profit (before provisions and taxes) to SKr 205m ($31.8m) in 1986, compared with SKr 220m the previous year. Page 22

BRIERLEY Investments produced interim results which puts the company on course to be the first in New Zealand to make full-year profits of NZ$300m (US$167.6m). Lex, Page 20; Details, Page 24

PIRELLI, Italian tyre and cables group, announced a 1986 aggregate net profit of $141m, an increase of 39 per cent on 1985. The improved profit was struck on group sales of $4.71bn, which compare with 1985 sales of $3.67bn. Page 21

UK orders emergency checks on all vehicle ferries

BY KEVIN BROWN, HAZEL DUFFY AND MICHAEL CASSELL IN LONDON

THE BRITISH Government yesterday ordered emergency checks on all vehicle ferries using UK ports to ensure that their loading-door mechanisms are in working order.

Mr John Moore, Transport Secretary, told a hushed House of Commons yesterday that he had also advised owners of ferries to fit warning lights on the bridges of the vessels to show whether or not the loading doors are properly closed.

It is understood that P&O, which took over European Ferries, parent company of *Townsend Thoresen*, only three months ago, is already making arrangements to install warning lights. There were no such lights on Townsend Thoresen's Herald of Free Enterprise which capsized at Zeebrugge on Friday night.

The responsibility for providing warning lights has been put on ferry owners, but Mr Moore said he would consider making it a statutory requirement. Meanwhile, it is expected that the checks on ferries will take about a month.

The public inquiry which Mr Moore announced immediately after the disaster, will be headed by Mr Justice Sheen, a judge from the Admiralty division. Mr Sheen, 68, a former Navy captain during the war, will be assisted by four assessors, who will be appointed shortly.

The Transport Secretary assured MPs yesterday that he would not hesitate to take further steps during the inquiry if evidence showed this was necessary.

Armed with evidence taken by Department of Transport marine surveyors, who have been in Zeebrugge since Friday night, Mr Moore said: "... The preliminary reports which I have received suggest that the cause of the capsize of the vessel was an inrush of water through the bow loading doors. I have no evidence to suggest that this was due to any fundamental fault in the design of the ship."

He stressed, however, that it was for the public inquiry to establish the facts.

Speculation about the cause of the accident continued to centre on whether the bow doors of the vessel were open when it left Zeebrugge harbour. Townsend Thoresen was still declining to comment last night, but Mr Moore said that claims that crewmen had been seen trying to close the doors with sledgehammers had not been verified *by the department's inspectors*.

Mr Moore made clear, however, that existing international regulations requiring loading doors to be closed before vessels put to sea would be enforced in future.

Assistant boatswain, Mr Marc Stanley, denied reports that he had admitted failing to close the loading doors on the Herald.

Mr Jack Brown, the naval architect who designed the bow doors on the Herald, said if there had been a video camera on the car deck it could have prevented the tragedy.

It also emerged that hydraulically operated watertight bulkheads could have been fitted to the vessel for about £300,000 ($471,000).

Mr Bob McCallum, head of Caley Hydraulics, of East Kilbride in Scotland, said there were no insuperable technical problems involved in fitting moveable bulkheads, which could have prevented the ship capsizing.

It was learned yesterday that the Herald of Free Enterprise was due for its annual check by government marine surveyors in dry dock. The last check was carried out in February 1986.

The death toll from the tragedy rose last night after a survivor died in hospital in Belgium. Townsend Thoresen has put the death toll at 53. One passenger was removed from the missing list after it emerged he had gone directly to a Belgian doctor on Friday night.

The missing list now stands at 81, with 409 survivors.

More than 300 survivors returned to the UK yesterday and arrangements were being made to bring home the dead. Neither Townsend Thoresen nor Kent police have issued a complete list of passengers.

Dover's local authority set up a disaster fund to assist the victims and their relatives. The Government is contributing £1m to the fund. *P&O* set aside £250,000 to meet immediate personal needs of the victims of the disaster.

In Belgium, an official inquiry by an examining magistrate was under way. The magistrate, Mr Arthur D'Hoest, interviewed some of the 42 crew who survived, as well as some passengers.

Belgian officials were believed to have inspected the doomed ship.

The Zeebrugge disaster, Page 2

Renault withdrawing from US car market with Chrysler deal

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned vehicle group, yesterday announced that it was pulling out of the US car market by signing a preliminary agreement to sell its 46.6 per cent controlling interest in American Motors Corporation (AMC) to Chrysler. The sale price could reach $550m.

Mr Raymond Levy, the new chairman of the French car group, said Renault had decided to sell the interest in AMC to enable it to concentrate recovery efforts on core European car businesses and markets.

He said Renault was expected to halve its losses in 1986 to FFr 4bn-FFr 5bn ($666m-$833m) compared with losses of FFr 10.9bn in 1985 and a record loss of FFr 12.5bn in the previous year.

Although the group was expected to extend its financial recovery this year, the chairman indicated it could not afford to turn down the opportunity offered by Chrysler.

Chrysler has agreed to pay Renault $200m for the French group's outstanding loans to AMC and up to $350m for the French group's 46.6 per cent equity stake. However, the amount Chrysler will ultimately pay for Renault's shares in Detroit's smallest car maker will depend on the future profitability.

Chrysler is also proposing to buy all the remaining outstanding AMC shares for $4 each through a swap of its own shares. The preliminary agreement signed yesterday envisages Chrysler offering a minimum of 0.687 of a Chrysler share and maximum of 0.840 of a share for each AMC share.

At Chrysler's closing share price last Friday of $52.375, the swap would have involved a ratio of 0.764 of a Chrysler share for each AMC share. AMC's shares have been trading at around $3.50.

Mr Levy said that Chrysler would continue to import from Renault for the next five years the US version of the Renault 21 medium-size saloon which was recently launched on the US market under the name of Medallion. Chrysler also intends to maintain production of the new six-passenger saloon, the Premier, which AMC is planning to launch in the autumn. The car is being built in a new AMC facility at Bramales in Ontario involving a total investment of $650m.

Renault disclosed yesterday that Chrysler had been interested for some time in AMC and that approaches had been made to the French group before the murder last November of Mr Georges Besse, the late Renault chairman, by left-wing terrorists.

Chrysler has already signed an agreement with AMC to use AMC production capacity to assemble its larger models in the US and was negotiating with the Renault US affiliate another production agreement involving smaller Chrysler models including the Horizon and the Omni.

Chrysler was clearly attracted by AMC's profitable four-wheel-drive Jeep business. But Mr Levy also suggested that the US car group was interested in the renewed car range of AMC as well as in its new Canadian facility.

Both Mr Levy and Mr Lee Iacocca, the Chrysler chairman, said the two companies planned to continue collaborating closely. Mr Levy indicated that the preliminary agreement envisaged the two groups forging closer commercial ties to market their respective products in their different markets. Mr Iacocca said the companies would study the development of future products for marketing by Renault and Chrysler.

The deal, which is due to be finalised in the next 30 days, requires French and US official approval as well as board-level ratification.

The investment will have cost Renault an estimated $750m.

● Anatole Kaletsky in New York writes: The deal was seen in Wall Street as extraordinarily attractive for Chrysler.

By the time the negotiations with Renault are concluded, Wall Street expects Chrysler to end up with only about $760m of AMC's $1bn in long-term debt. This would raise Chrysler's total debt to around $3.5bn, preserving a relatively comfortable ratio of 40 per cent for debt to total capitalisation, according to Mr Charles Brady, motor industry analyst at Oppenheimer & Company.

The debt assumed would be largely offset by the value of AMC's new plant at Bramalia, Canada.

Renault tries to do a Fiat, Page 18; Lex, Page 20

UK banks cut rates in wake of stronger £

BY PHILIP STEPHENS AND JANET BUSH IN LONDON

BRITAIN'S leading banks yesterday cut their base lending rates by ½ percentage point to 10½ per cent after the Bank of England signalled it was ready to see borrowing costs fall in response to the recent strength of the pound.

The reduction, which came as sterling registered further substantial gains, took financial markets by surprise. The Bank had strongly resisted market pressure for a cut over the past two weeks, creating the impression that it wanted no change until after next Tuesday's UK budget.

Yesterday's move marked the first tangible evidence of a significant shift in government policy towards sterling since finance ministers of leading industrial countries agreed in Paris last month to seek a period of stability on foreign exchange markets.

Mr Nigel Lawson, the Chancellor of the Exchequer, suggested then that he would react to a sharp rise in the pound's value by lowering borrowing costs. The Bank's tactics over the past two weeks were dictated by concern to ensure that sterling's gains were not simply the result of a pre-budget speculative flurry.

A further rise of 0.6 points to 72.4 in the sterling index in the first few hours of trading yesterday apparently provided sufficient assurance, prompting the Bank to cut its money market dealing rates.

National Westminster Bank quickly responded by lowering its base rate to 10½ per cent and the other major banks followed throughout the afternoon.

The authorities made clear that they were not ready to accept any further reduction in borrowing before next Tuesday, but did little to dampen widespread speculation that another ½ point cut might follow the budget.

Mr Lawson is expected to an-

Continued on Page 20

The Bank of France yesterday lowered its money market interest rates by a cautious quarter of a percentage point. Officials denied any direct link with the cut in UK rates, though the reduction was seen as part of the European package of measures to stimulate economic growth. Page 20; UK producer prices, Page 11; Lex Page 20; money markets, Page 37.

Mr Yasuhiro Nakasone

Tax issue threatens survival of Nakasone

By Carla Rapoport in Tokyo

JAPANESE Prime Minister Yasuhiro Nakasone suddenly looks to be in trouble.

One of the wiliest politicians of recent times, Mr Nakasone is up to his neck in a controversy, which even his strongest supporters are unsure how, and if, he can survive.

The latest trouble is over a proposed sales tax, one which would add 5 per cent to most goods and services in Japan. A nationwide campaign against the tax has been building up for weeks. Opposition politicians, retail and consumer organisations and even members of Mr Nakasone's Liberal Democratic Party (LDP) have been rallying around the country, hanging banners from shop windows and bitterly attacking the Prime Minister and his tax.

Until recently, the storm looked little worse than others Nakasone has weathered. But on Sunday, the temperature dropped. Contrary to expectations, a socialist politician won a sweeping victory over the LDP candidate in a by-election in northern Japan, the first upper house victory for an opposition party in that district in 25 years.

"It's become more serious now. His power base seems to be eroding. That area is a strong conservative district and the election was a landslide. The LDP is alarmed," a senior political analyst said in Tokyo yesterday.

The debate over tax reform has united Japan's major opposition parties, allowing them to paralyse Diet debate of the fiscal 1987 for most of the last several weeks. The Liberal Democrats have almost a two-thirds majority, but it would be virtually unheard of to push

Continued on Page 20

Andreotti gets mandate again despite Socialist objections

BY JOHN WYLES IN ROME

MR GIULIO ANDREOTTI, Italy's Christian Democrat Foreign Minister and arguably the country's most experienced politician, last night began the highly uncertain task of forming a Government in succession to the 3½-year administration led by Socialist Bettino Craxi.

President Francesco Cossiga had been expected to turn to 68 year old Mr Andreotti since Mr Craxi resigned last Tuesday. However, the invitation which eventually came yesterday afternoon to try to form a government was apparently delayed for a day or two by the Socialist Party's insistence that the *Christian Democrats'* secretary, Mr Ciriaco De Mita, or president, Mr Arnaldo Forlani, be given the mandate.

The essence of Mr Andreotti's task is to overcome this opposition. A comment in today's edition of the Socialist newspaper Avanti offers him few initial grounds for optimism and accuses the President of failing in his duty to choose a prime ministerial candidate capable of forging a consensus between the parties.

Immediately after seeing the President, Mr Andreotti launched himself into the time-consuming process, part ritual, part raw politics, by which Italian governments are formed. After a political career spanning 40 years which has embraced every senior office, including the Foreign Ministry since 1983, he is more familiar with the procedures than any other possible Prime Minister designate.

Mr Andreotti accepted such a mandate on *nine* previous occasions since 1970 but succeeded in forming a government only five times. His most recent failure was in July last year.

During an interval between seeing the presidents of the Senate and the Camera (the lower house of Parliament) last night, Mr Andreotti said he would try to assemble a government capable of lasting until elections next year.

Its components would be the five parties which have been in coalition since 1983 (Socialists, Republicans, Liberals and Social Democrats, in addition to the Christian Democrats), and Mr Andreotti hoped that "the spirit of collaboration which the Government has had until now will ultimately prevail." In the meantime, he had not formally accepted the President's mandate because he needed "first to take a look at things and then draw conclusions."

Despite the Avanti comment, it is still not clear whether Mr Craxi will actually veto the Andreotti mandate. If he negotiates, he will certainly put a price on his support. His closest collaborator, Mr Giuliano Amato, indicated at the weekend that this would be a constitutional reform introducing a directly elected Presidency.

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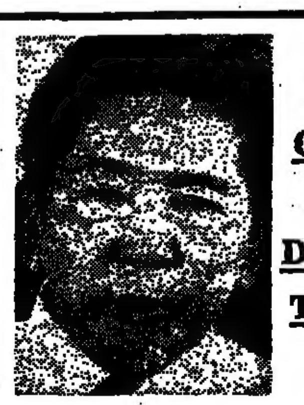


'HOW COULD THEY DO THIS TO US?'

Ferdinand and Imelda Marcos talk to Robin Pauley, Page 19

Modifications 'could have saved ship'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

WATERTIGHT vertical bulkheads of a type which could have prevented the loss of the Herald of Free Enterprise could be fitted to roll-on roll-off ferries relatively cheaply, it emerged yesterday.

Naval architects, who are responsible for ship design, said there were no insuperable technical difficulties involved.

The cost would be about £150,000 per bulkhead for existing ships, and about £50,000 for new ships, where the necessary technical modifications could be incorporated at the design stage.

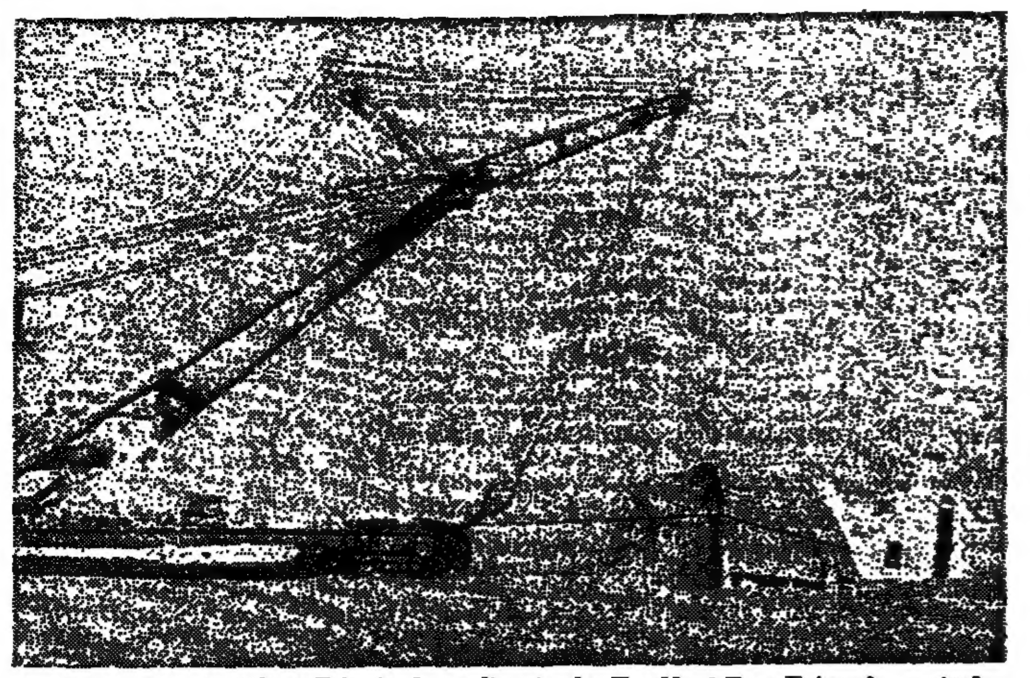
The bulkheads would prevent water moving around on the ferries' longitudinal vehicle decks by restricting any inflow to a small section of the deck.

It was the movement of water on the unobstructed through deck of the Herald of Free Enterprise which caused the ship to list violently to port and then to capsize.

Professor Chengi Kuo, head of the department of shipping and marine technology at Strathclyde University, said it would be relatively easy to fit hydraulically operated bulkheads extending from either the roof or the side of a car deck.

The bulkheads could be as little as six feet high—much less than the height of the deck—and need not present weight or stability problems, he said.

"It is an operation which could be centrally controlled from the bridge. It could be designed so that the ship could not leave port until the bulkheads were in place and the loading doors closed. There could even be a video link on modern ships so the captain would know everything was safe," he said.



A salvage crane from Smit Tak attaches a line to the Herald of Free Enterprise yesterday

Professor Kuo said movable watertight bulkheads of this kind would have "very little effect" on the commercial viability of roll-on roll-off ships.

Permanent vertical bulkheads of the type common on other cargo ships have never been fitted to roll-on roll-off vessels because they would slow the loading and unloading of vehicles, adversely affecting the ships' commercial viability.

Mr Bob McCallum, head of Caley Hydraulics, based in East Kilbride, Scotland, said his company had fitted hydraulically operated vertical bulkheads to a Canadian ship designed for use in winter icefields.

Mr McCallum said two vertical bulkheads could probably have been fitted to the Herald of Free Enterprise for about £300,000. This would have divided the ship into three watertight compartments, and could have been enough to prevent the capsize, he said.

Mr McCallum said: "These problems are not really difficult to overcome if an engineer and a good naval architect can work together. Cost is the main factor."

Movable bulkheads have not greatly reduce the carrying capacity of roll-on roll-off ships, or interfere with their ability to load and unload quickly, though there would be some loss of fuel and economy and possibly of operating speed.

The ferry business is extremely competitive, however, and any additional costs could lead to viability problems for some companies.

Mr Simon Bergstrand, a transport economist at the Polytechnic of Central London, said fares had fallen between 20 per cent and 40 per cent in the past 10 years in real terms.

"Competition has led to larger vessels, quicker turnrounds, faster sailings and lower prices. Any additional cost, even if it is a capital cost, is going to affect the competitive position," he said.

Moveable bulkheads have not been fitted to ferries before, principally because the attention of designers has been on maximising revenue rather than safety — though national and international regulations have always been complied with.

'Everything has been so competitive that, when it has come to building new ferries, the emphasis has been on making them more luxurious—fitting bars, restaurants and so on, making them more comfortable to travel on—rather than giving any additional attention to safety problems," he said.

There are about 45 roll-on roll-off ships working on the Channel and North Sea routes between Britain and the Continent, plus 10 ships on routes to Ulster and the Republic of Ireland.

At this time of year, the Channel and North Sea ships between them make about 200 crossings a day, and the Irish Sea ships about 44. The number of prossings increases slightly in the summer.

The number of passengers carried is about 22m a year on the Channel and North Sea and about 4.5m on the Irish Sea, with about 3.5m cars, 170,000 coaches and 1.7m lorries and trailers.

Smit Tak starts work on long salvage job

By William Dawkins in Brussels

SMIT TAK International, the Rotterdam-based marine salvage group, yesterday began work on the Herald of Free Enterprise while solicitors in London hammered out the final details of the contract.

A spokesman for the company said an initial survey of the stricken hull indicated that it would take about a week in calm weather to bring the vessel back to an even keel. Another six weeks would be needed to refloat the vessel securely and tow it back to Zeebrugge.

The need to recover the remaining victims before starting work on the ship itself means the job will take longer than usual. This is why the contract is a particularly sensitive one to draw up. Townsend Thoresen will depart from the usual practice of paying salvage costs plus a profit margin to be determined between the two parties later.

The contract, which was on the point of being signed yesterday afternoon, will cover costs plus a minimum predetermined profit for Smit Tak, according to Townsend Thoresen. In all other respects, however, the job of recovering the Herald will be relatively routine for a salvage company which has mopped up after many of the North Sea's worst disasters.

Smit Tak, the main subsidiary of Smit International, the largest salvage and towing company in the world, was the main contractor in the operation to recover the Alexander Kielland oil platform after it capsized in a fiord just outside Stavanger, Norway, four years ago. It also cleared the wreckage of the Betelgeuse, the French oil tanker which exploded in Bantry Bay, south-west Ireland in 1982, killing its 57 crew.

Closer to the swirling currents and sandbanks of the Belgian coast, Smit Tak was responsible for lifting 225 tonnes of uranium hexafluoride, the corrosive gas, off the freighter Mont Louis, after it sank on its way from France to the Soviet Union in 1984.

While salvaging wrecks has brought the 145-year-old group a great deal of publicity, it earns the bulk of its revenues from the oil exploration and production industry, where it is involved in towing, pipelaying, running supply vessels and handling anchors for large tankers.

That plus the weakness of the dollar—the main currency in which the group is paid—explains why Smit International's profits declined last year for the third year running. Net income in the year to last September halved from DFl 18m (£5.47m) to DFl 9m on turnover up from DFl 648m to DFl 676m.

Smit International is 80 per cent owned by the Dutch Royal Ned Lloyd and Vigilanter, the Dutch shipping and transport companies. They hold 40 per cent each, and the rest of the shares are owned publicly.

Its 3,200 staff have at their disposal 309 floating craft, ranging from small pontoons to one of the world's largest seagoing cranes, the Taklift IV, capable of lifting 2,400 tonnes. Also available are three massive ocean-going tugs, each powerful enough to tow two very large crude carriers.

The group has already sent to the scene a slightly smaller crane, which will be used to help lift the ship upright and two so-called pulling barges. These are essentially non-ocean-going tugs designed for lifting loads up from the sea bed rather than for towing for long distances. They join the four tugs from Vandenakker, a Smit salvage and towing subsidiary based at Flushing on the Netherlands coast, which rushed to the scene to help soon after the disaster.

Lloyd's would meet much of bill that might reach £50m

BY HUGO DIXON

THE TOTAL financial costs of the Zeebrugge disaster might be as high as £50m, much of it met by the Lloyd's insurance market, legal and insurance experts say. Resolving the claims might take lawyers years.

However, they caution that the precise circumstances of the disaster are still unknown, so the figure of £50m is subject to a wide margin of error. It would, for example, be much lower if the Herald of Free Enterprise could be salvaged and put back to sea.

Even if the total claims do approach £50m, Lloyd's underwriters do not think the disaster will have a long-term effect on the market. It is not a vast figure by comparison with some oil-tanker disasters, and there would be no immediate need to increase premiums.

Claims will fall into two categories, each with its separate insurance arrangement: the hull and machinery of the ship itself; and third-party claims, including deaths, injuries, lost cargo, lost property and pollution.

Peninsular & Oriental Steam Navigation Company, which owns the Herald, insured it for £25m in the first place with Proteus, its own insurance company. The total was then reinsured in the London insurance market: about half with Lloyd's; the rest with seven important insurance companies, led by the Prudential.

Third-party claims are initially covered by the Standard Steamship Protection and Indemnity Assurance, one of the merchant shipping industry's 16 mutual insurance clubs.

The first $1.2m (£757,000) would be paid wholly by the Standard; the next $10.8m would be shared between the Standard and the other 15 clubs. Any further claims, up to a total of $1,000m, have been reinsured by a group led by Lloyd's.

Claims for those injured in the wreck and by relatives of those killed are likely to be the most complex to resolve. The amount they can claim is, on the face of it, limited to about £38,000 under the 1974 Athens Convention, which Britain has ratified.

However, claimants could get round those limits, says Mr Robin Slade, a partner in Sinclair, Roche, Templerey, the maritime solicitors. They could bring their cases in Belgium, which has not ratified the convention; they could bring their claims against those not covered by the convention; or they could seek to show in Britain that the limits of the convention did not apply in this case.

The first course would be the easiest, as the accident took place in Belgium and P & O has assets there. The second would involve bringing a case against the builder or designer of the ship, if their responsibility for the disaster could be proved.

The third would require claimants to prove that P. & O. was guilty of recklessness. Experts believe that would be difficult.

If either course of action succeeded, damages might be several times higher, in some cases more than £100,000 a person. The precise amounts, though, would depend on individual circumstances: the person's age, number of dependants and career prospects.

People who have been severely injured would tend to receive more than the relatives of those who have been killed. Where whole families have been killed, there might be no compensation, if no one were alive to collect it.

Potential damages from crew members and their relatives is also high. Under the 1979 Merchant Shipping Act, shipowners cannot limit their liability to their crews and so the maximum, set under the Athens Convention, does not apply.

Various conventions, in particular the 1976 Convention on the Limitation of Liability for Maritime Claims, put ceilings on the amount to be paid for loss of cargo. In the Herald's case, the maximum is around £2.2m.

Similarly, damages from pollution are limited to $300m, although nobody believes that the figure in this case will be anywhere near that.

Relatives of those who died leave a memorial service in Zeebrugge yesterday

Searching for clues — how the inquiry process works

BY HAZEL DUFFY

PUBLIC inquiries, such as that to be headed by Mr Justice Sheen into the Zeebrugge disaster, are few and far between. Their rarity indicates the scale of the disaster and the degree of public concern about its causes.

They may be ordered by a Secretary of State immediately after the disaster—as in the case of the Herald of Free Enterprise last Friday evening—or, unusually, long after the event.

This was the case with the formal inquiry announced last December, after years of pressure from seamen's unions and Opposition MPs, into the disappearance of the British cargo ship Derbyshire, which sank in the Pacific in 1980 with the loss of 44 lives.

Inquiries may be headed by a judge, such as the investigation into the fire at Bradford Football Club, or by an eminent Queen's Counsel. Both report to the Secretary of State of the responsible department.

All major transport accidents, whether at sea, on land or in the air, are subject to immediate investigation by officials of the Department of Transport. This is known as the preliminary, or informal, inquiry, which may or may not be complemented by a public inquiry.

The moment news of the Zeebrugge disaster became known, officials from the Marine Directorate went to the scene to interview victims and, as far as possible, to inspect the wreck.

In this role, they are similar to officials in the Accidents Investigation Branch, which investigates crashes involving British aircraft, and the Railway Inspectorate, which performs a similar role for the railways.

The officials' aim is to establish the facts as quickly as possible, while the events are still fresh in the victims' minds. The key difference between preliminary and formal inquiries is that, in the former, evidence is not given under oath, and is given in private. This could lead to franker disclosures than in a court of law.

Preliminary inquiries need not, however, be concluded rapidly. The officials will, for example, probably want to inspect the hull of the Herald of Free Enterprise when it is righted to add to the information they have already established. This was the case in the European Gateway ferry collision in 1982, when three months passed before the hull could be inspected.

This inquiry, then, could continue for some time alongside the public inquiry. In drawing up their report the officials will draw on the expertise of a small panel of specialists in marine litigation. The officials' findings, unlike those of the public inquiry, will not be made public.

The public inquiry, could also take many months. Many interests will be legally represented, including those of the passengers, the owners, the builders of the vessel, the Zeebrugge port authority and the Crown.

The judge was selected, with the help of the Lord Chancellor's Department, from the Admiralty Court, which is part of the Queen's Bench.

THE official Belgian inquiry into Friday night's disaster was fully under way yesterday as the examining magistrate in charge of the investigation, Mr Arthur D'Hoest, interviewed passengers and some of the 42 survivors of the crew.

Government officials were keen to stress that it was a judicial inquiry though various government departments are likely to be closely involved.

The inquiry, which is not expected to provide any quick answers, will be conducted from the offices of the examining magistrate in Bruges.

An official in the cabinet of Mr Hermann de Croo, the Communications Minister, said yesterday that it was likely to be very wide ranging, taking in issues like the construction of the ferry and the exact chronology of what happened when it left port.

"It will be a very complex matter. It will mean collecting information from all sides. It will certainly try to indicate who is responsible for the terrible accident and could lead to legal action against those responsible."

Belgian officials are understood to have inspected the hull, noting that the bow doors are open, that there is no apparent damage to the hull, and that the course followed by the ferry was "normal."

The Belgian press, meanwhile yesterday began its own unofficial post mortem with particular emphasis on the possibility that passengers and crew may, as Wallonie, a newspaper, put it, "have fallen victim to an economic system bent on profitability."

De Morgen, too, denounces the free market economy which caused ferry operators to disregard expert warnings about the dangers of ro-ro ships.

Intense competition 'leads crews to ignore rules'

BY JIMMY BURNS, LABOUR STAFF

"ENTRE LO dicho y el hecho hay un gran techo"—"between what is said and what is acted upon there is a huge jump" goes the Spanish dictum. It has always been applied to Latin politics but it could also serve as a fitting comment on the Zeebrugge disaster.

A key statutory instrument says: "When a passenger ship proceeds to sea, the master shall ensure that every door . . . shall be kept closed while the ship is at sea except when it is required to be open for the working of the ship."

Anohter insists that all vehicles and cargo should be securely lashed down before the vessel sails.

Crews as much as employers know those rules. Yet aboard the Herald, it would seem that the doors were not closed, nor were many of the vehicles lashed down.

That has nothing to do with training, officials of the National Union of Seamen insist. "Our union is concerned about the pressure on cross-Channel ferries to reduce costs and reduce turnround times," says Mr Jim Jump, editor of the NUS newspaper.

Mr Bob Raynor, an NUS branch official and former seaman, says ferries in the North Sea strictly adhere to the rules, but on Channel ferries the story is very different. "The competition is so intense that crewmen are prepared to ignore any rule just as long as the ferry gets out on time."

The NUS has called for an inquiry into training methods for crews to deal with future incidents where the ship capsizes, as the Herald did. However, little evidence appears that better training could have made the crew operate more effectively after the ship turned over.

Mr Paul Russell, chief technical training officer at the National Sea Training College in Gravesend, Kent, says: "It happened so fast that a five-year-old baby would have had as much chance of saving more lives as a fully trained, able-bodied seaman."

It is at that college that most seamen such as those on the Herald are trained. A 13-week course instructs deck hands, engine-room operators and catering staff in liferaft and lifeboat drills. Mr Russell insists: "It is a very intensive course indeed."

Dwindling attendance at the college in recent years, however, appears to confirm the fears that, as competition increases, more and more employers may be tempted to cut corners.

One political side-effect of the disaster has been to boost the militant NUS argument that efficiency and safety in the merchant fleet might be further sacrificed if in the future more employers pursue the policy of "flagging out": bringing in non-unionised crews.

Statistics fail to show that air travel is safer

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ALTHOUGH SOME travellers may switch to airline travel following the Herald of Free Enterprise disaster, statistics indicate there is no reason to believe that sea travel is less safe than air transport.

Figures produced by Lloyds Maritime Information Services show that since 1980 there have been 8,062 passenger deaths at sea (including those reported as missing) through disasters to 998 ships of all kinds, including the recent ferry disaster.

This compares with 4,042 killed while flying on 126 aircraft on scheduled services in the period 1980-85. These figures are likely to increase substantially when final figures for 1986 are included, together with deaths on non-scheduled flights, which are more difficult to collect.

However, while this might indicate that air travel is safer, maritime figures are not collected in the same way as air travel statistics—in relation to the number of passengers actually carried—so that direct comparisons with air travel are impossible.

Threat of sea pollution from chemicals adds to anxieties

BY TIM DICKSON IN BRUSSELS

THE THREAT of serious sea pollution from chemicals, possibly including cyanide, carried in the ill-fated car ferry Herald of Free Enterprise was yesterday added to the anxieties of the Belgian Government.

Officials from the Ministry of Social Affairs were carefully monitoring the position of drums still floating in the water after Friday's disaster outside Zeebrugge harbour. The drums are thought to be dangerous if the contents are spilled.

Mrs Miet Smet, Belgium's Environment and Social Emancipation Secretary, said 72 of the barrels had been safely recaptured. She added that, as far as she knew, none of the others had been punctured. At a press conference in Brussels yesterday she said that, on information received by her department, the vessel had been carrying 61 barrels, or 11,170 kg, of cyanide, 50 barrels (5,450 kg) of Toluene, 797 sacks (19,925 kg) of lead powder, 50 barrels (5 tonnes of resin solution, 5 barrels (250 kg) of painted products, 30 barrels of mittoxy ethanol Toluene, 5 tonnes of Pyrrolidine, and an unknown quantity and number of barrels of Mobic, (which is believed to be a brand name).

The fight against the pollution threat is being supported by a computerised "simulation model" which, using information on wind direction and tides, has been able to provide clues as to where the escaped cargo may be floating.

Mrs Smet said she was "quite satisfied" that the presence of the barrels had not hampered the rescue for survivors or bodies, which was called off early on Sunday. She added that at this stage there was no evidence that the ferry had been carrying any substances in contravention of international agreements.

Meanwhile, the Belgian oceanographic boat Belgica, which specialises in water analysis, spent yesterday close to the stricken ferry. A net has been thrown over the ship to ensure that more barrels do not escape and endanger other shipping while the process of identification of barrels continues.

The Department said the main danger at present appeared to be from the cyanide.

Restrictions on what can and cannot be carried on passenger and cargo ships are set out under the International Marine Organisation Agreement. The only EEC regulation requires the eight signatories to the Bonn Convention to notify other countries immediately an accident happens. Mrs Smet pointed out that Belgium had already carried out its obligations in this respect by providing full information to Britain, France and the Netherlands.

Channel tunnel's safety debate reopened

BY ANDREW TAYLOR

THE ZEEBRUGGE disaster will inevitably cause comparisons to be drawn between the safety of cross-Channel ferries and the 31-mile rail shuttle tunnel proposed by Eurotunnel, the Anglo-French Channel tunnel consrotium.

To attempt to draw conclusions about what the tragedy may mean for the £4.7bn tunnel project and the ferry companies is extremely hard when the emotions of the survivors and the bereaved are running so high.

Nonetheless the devastating loss of the Herald of Free Enterprise has important implications for the debate over the future of the Channel Tunnel and the safety of cross-Channel passengers.

The ferry companies, particularly the UK arm of Sealink owned by the Bermuda-based Sea Containers, have been in the vanguard of criticism of the tunnel's safety proposals.

The ferry companies and other opponents of the tunnel tried unsuccessfully to block the proposals on safety grounds late last year during several months of Commons committee hearings on the Channel Tunnel Bill.

The ferry companies have particularly attacked Eurotunnel's proposals to allow passengers to travel in the same carriages as their cars. Failure to segregate passengers and vehicles substantially increases te risk of fire and a catastrophe, they say.

The bill is currently at the House of Lords. A select committee had begun to hear petitions against it just four days before the Zeebrugge disaster. The loss of the Herald of Free Enterprise has added to tragic new dimension to the debate over safety.

First, it cannot be acceptable to consider the safety of the tunnel without also looking at safety procedures and the design of sea ferries.

The second consideration is how the ferry companies will themselves react to the Zeebrugge disaster and whether this will temper or inhibit some of their criticisms of the tunnel's safety.

It could be argued that the doubts over the design of sea ferries could make the passage of the Channel tunnel Bill easier. However, public outcry over Zeebrugge and the resulting demands for safe and efficient cross-Channel transport system could just as likely affect the tunnel's proposals as the ferry company operations.

A further consideration is what long-term changes are likely to arise in the way in which sea ferries are designed and operated. These could work to the tunnel's advantage if stringent requirements were introduced which reduced the number of vehicles carried or which materially increased the turn-around time of ferries.

Investment in the tunnel would look more attractive if the viability of the ferry operations were inhibited in this way. This could influence the outcome of Eurotunnel's planned £750m international share sale this summer, if investors considered the tunnel could have a strategic advantage over the ferries.

Also to be considered is the public reaction to ferries and whether or not the tunnel can satisfy critics that its own proposals will be much safer. Even then, the tunnel will not be completed until 1993, by which time attitudes towards ferries may have changed or modified.

Eurotunnel argues that the plan to carry passengers and cars together has been proved safe by the experience of Swiss railways. It has been operating rail shuttles in the Alps for more than 30 years without a single fire or serious accident.

Moreover, Eurotunnel says the inclusion of fire doors and sophisticated fire-fighting equipment would prevent the spread of a serious blaze.

All of this was said before Zeebrugge. Eurotunnel says its proposals will be strenuously tested by the safety commission which has been established by the British and French governments. It is saying nothing else other than to express its sorrow at the tragic loss of so many lives.

Few holiday cancellations reported by operators

BY DAVID CHURCHILL

BRITISH HOLIDAYMAKERS and business travellers appeared unwilling yesterday to let last Friday's disaster deter them from going by ferry to the continent.

Moreover, there seemed to be no rush to switch travel plans to the airlines.

Townsend Thoresen, owner of the Herald of Free Enterprise, was reported to be experiencing no significant slump in bookings.

Ironically, the company was only last Friday voted one of the best short-crossing operators by readers of Holiday Which? magazine.

Brittany Ferries and other ferry companies also confirmed that few passengers have cancelled.

Hoverspeed, which operates a hovercraft service to the continent, said it had not had a significant amount of cancellations since the weekend, nor had it picked up extra business from the ferries.

One ferry operator said: "Most passengers accept that the disaster was an accident and believe ferries are still a relatively safe way to travel.

"They also know that now is probably the safest time of all to cross the channel by ferry since everyone will make sure that safety is paramount."

This view was supported by travel agents throughout the UK. Mr Chris Watson, managing director of Pickfords Travel Retail, which has 340 travel agencies, said: "There have been some holidaymakers seeking reassurance about their ferry crossings, but virtually no cancellations because of the disaster.

"There is no reason for holidaymakers not to trusst using the ferries—they are still very safe."

The Association of British Travel Agents reported a similar reaction. "There has been no degree of cancellations that we are aware of," said a spokesman.

Passengers also appear not to have switched to air travel. British Airways said there has been no discernible increase in demand for scheduled air flights to Brussels or Paris since the weekend. Other airlines report the same.

The position for most holidaymakers who want to take their car on holiday to the Continent is that there is no real alternative to the ferries. The cost for a family of four of buying scheduled airline tickets and hiring a car from Paris or Brussels would be almost three times as great.

Travel trade analysts yesterday forecast that the public was unlikely to find the disaster a sufficient reason to change holiday plans.

Most haulage companies are also unlikely to be willing or able to switch their transport system from ferry to air because of the extra cost. Ferry operators said there was no sign that fewer heavy lorries were using the ferries.

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New effort to end strike at Dutch port

BY LAURA RAUN IN AMSTERDAM

THE ROTTERDAM port strike entered its eight week yesterday, as dockworkers and general cargo companies appeared further apart than ever and turned to politicians for help in resolving the dispute.

Parliament's standing committee on social affairs is expected to hear representatives from the FNV transport union and the SVZ port employees association tomorrow in a bid to restart negotiations.

Last week's talks between the two sides broke down again over the central issue – employers' insistence on cutting 350 jobs in the general cargo sector of the world's largest port.

About 200 stevedores were on strike yesterday against two general cargo companies and the joint labour pool.

Losses from the two months of lightning strikes are estimated to have exceeded Fl 12.5m ($6.2m). Ships turned away from Rotterdam to competing harbours have caused around Fl 8.5m in lost income, a SAZ spokesman said yesterday.

Dutch road hauliers, which are among the largest in Europe, have lost more than Fl 4m in cargo that went to other operatives.

The Rotterdam Port Authority, tugboat operators and inland shippers have also suffered, although none are eager to publicise their losses.

On January 19 the FNV transport Union launched a series of lightning strikes to protest against stevedoring companies' plans to scrap jobs in a bid to restore profitability.

The union contends that other means of cost savings can be found to avoid redundancies and will contest the dismissals at a special court hearing in Amsterdam on Thursday.

Meanwhile, separate labour negotiations in the container cargo sector are to resume today. Union members have called off their strikes against European Container Terminals, the company involved, while talks are going on.

In the grain cargo sector the FNV transport union is feuding with its Christian counterpart, the CNV transport union, over acceptance of a new contract.

Dissident musicians on trial in Prague

SEVEN PROMINENT members of the dissident Jazz Section culture group go to court today on what human rights activists describe as the largest political trial in Czechoslovakia since 1979, AP reports from Prague.

The decision to stage the trial at this time is puzzling western observers, because it coincides with a period of Soviet reform and the release of Soviet political prisoners.

However, Czechoslovakia has been generally slow in following Moscow's lead and institute selective political, social and economic change.

Mr Karel Srp, the group's chairman, Mr Josef Skalnik, Mr Vladimir Kouril, Mr Tomas Krivanek, Mr Cestmir Hanat, Mr Milos Drda and Mr Vastimil Drda are charged with "unauthorised enterprise."

Dissidents and western human rights organisations say it will be the largest political trial since 1979, when leading Charter 77 activists went to court for anti-state activities.

Czechoslovak authorities deny that the seven are being tried for political activities. They say the charges arise from unauthorised and irregular economic activities, including publishing and arranging concerts.

If convicted, the defendants could receive up to eight years in prison.

The 7,000-member Jazz Section, founded in 1971 and recognised by Unesco and other international organisations, was officially disbanded in 1978, after falling into disfavour because of its independent views.

Howe signs investment accord with Hungary

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

SIR GEOFFREY HOWE, the British Foreign Secretary, who is paying a two-day official visit to Hungary, yesterday signed a bilateral investment promotion and reciprocal protection agreement (IPPA) in Budapest with Dr Peter Medgyessy, the Hungarian Finance Minister.

The agreement, aimed at stimulating bilateral investment flows, is designed to set standards applicable in international law and thus to create a climate of confidence for investors.

The UK which, in terms of book value, is the world's second largest investor overseas, has signed 28 IPPAs to date, the majority with developing countries. It is currently negotiating further agreements of the same type in Latin America, Africa and the Caribbean.

IPPAs provide for the protection of existing and future investments under the law of the host country and, in the event of expropriation, for the prompt and adequate payment of compensation. They also provide for the transfer of profits and repatriation of capital.

Sir Geoffrey also discussed the latest developments on the arms control front with Mr Peter Varkonyi, the Hungarian Foreign Minister.

The Foreign Secretary explained Britain's positive reaction to the latest proposal by Mr Mikhail Gorbachev, the Soviet leader, for the elimination of medium-range nuclear missiles in Europe, emphasising that such an agreement should go hand-in-hand with reductions of shorter range missiles and effective verification procedures. According to British officials, the two ministers agreed on the importance of verifying compliance with any arms control treaty which might be concluded.

Haughey's election hangs on left-winger

By Hugh Carnegy in Dublin

MR CHARLES HAUGHEY'S election as Irish Prime Minister appeared to hang on the decision of a single left-wing deputy as the Irish parliament prepared for a cliff-hanging vote today on a new government following last month's general election.

Mr Haughey's Fianna Fail Party has 81 seats in the Dail lower house) and can count on the support of one independent. The combined opposition, assuming the Fine Gael Party decides, as expected, to vote against him, also totals 82. With the Speaker's chair set to be filled by Mr Sean Treacy, an independent from Tipperary, the outcome will depend on Mr Tony Gregory, an independent socialist from Dublin.

The parlous state of the economy is central to the outcome. Mr Gregory supported Mr Haughey in similar circumstances in 1982 but this time has expressed strong reservations about Fianna Fail's warnings of the need for a tough, cost-cutting budget. He says he could not support anyone adopting conservative economic policies.

Fianna Fail is hoping that if Mr Gregory does not support Mr Haughey he will abstain. In that case, Mr Haughey would become Prime Minister on the casting vote of the Speaker.

Some members of Fine Gael are expected to argue in favour of the party abstaining because the overriding national interest is for a government to get to grips with the economy. But a meeting of Fine Gael, led by the outgoing Prime Minister, Dr Garret FitzGerald, just before parliament opens is expected to reject such a move by a large majority.

Fianna Fail has discounted a Fine Gael abstention and is concentrating on persuading Mr Gregory that Mr Haughey will not act against the interests of the least well off. A party spokesman said he believed Mr Haughey was "more likely than not" to be elected.

If he is not, Fainna Fail would demand an immediate general election.

Ferry strike end in sight

SHIPS' officers voted yesterday in favour of ending a five-week-old strike which has halted most passenger and freight services by the B+I Line, Ireland's state-owned shipping company, Our Dublin Correspondent reports.

B+I management has recommended that its board, which was meeting last night, accept the peace formula agreed by 90 votes to 38 by the officers, opening the way to a resumption of ferry services tomorrow.

Management is hoping that a settlement of the officers dispute over manning levels, which cost the loss-making company I£2.5m (£2.3m), will trigger settlement of another strike by a small number of craftsmen which has been going on for two months.

B+I laid off 1,000 of its 1,400 workforce in January because of the disputes which coincided with a slump in revenue as cheap air fares drew many passengers away from the Irish Sea crossing.

EEC ministers play up economic outlook

BY QUENTIN PEEL IN BRUSSELS

EEC Finance Ministers yesterday sought to counter an "excessively pessimistic" view of European economic growth prospects by the European Commission, citing the recent Paris agreement on stabilising exchange rates as a cause for improved expectations.

Mr Otto Schlecht, West German State Secretary for economics, told finance ministers in Brussels that the present slowdown in growth was a temporary phenomenon. Underlying indicators, including a high level of investments and consumer spending, were more favourable.

He said the Commission's growth forecast for West Germany, reduced from last year's expectation of 3.2 per cent for 1987 to only 22 per cent, was too pessimistic. Although the government was watching the situation closely, he did not believe there was any cumulative downward trend requiring swift remedial action.

The lower West German growth forecast is the main factor in the latest Commission quarterly economic report downgrading the expected EEC-wide growth rate from 2.8 to 2.3 per cent for the year.

The same general message showing confidence in the stabilising effect of the Paris agreement between the Group of Five industrialised nations, and Canada, was repeated by British, French and Dutch ministers.

Mr Peter Brooke, British Minister of State at the Treasury, expected a significant growth in trade in manufactured goods, which should help support business investment, and a higher overall increase in world trade than the Commission had forecast.

The one clear dissenting voice was that of Mr Giovanni Goria, Italy's Finance Minister, who was surprised at the excessively optimistic tone, and agreed with the Commission's assessment that the EEC remains in "a difficult economic situation."

The Commission has urged an acceleration in West Germany's proposed tax reforms, but Mr Schlecht would do no more than confirm that the package already announced for January 1 1988, would be more extensive than originally intended.

The co-operative economic growth strategy, approved last December by the finance ministers, seeks a co-ordinated expansion of those European economies with room for manoeuvre—mainly West Germany and to a lesser extent France and the UK—to reduce high unemployment rates. Figures released last week showed the 12-nation jobless total topping 17m for the first time during the cold spell in January.

The ministers postponed any decision to tighten the monitoring procedures to check whether member states are following the growth strategy. The Commission wants to send its half-yearly report in July to all the national parliaments, to involve them in the debate.

European Court orders repayment of illicit state aid

BY WILLIAM DAWKINS IN BRUSSELS

THE European Court of Justice in Luxembourg has ruled that Deufil, a West German synthetic fibres producer, must repay to the Bonn Government DM 2.9m (£1.01m) in illicit state aid.

The decision provides a rare legal back-up to the European Commission's increasingly tough policy against any state aid which it believes gives the recipients an unfair commercial advantage."

It will also strengthen the Commission's hand in separate examinations into aid granted to the French car groups Renault and Peugeot and the German car producer, Daimler-Benz. The ruling comes two weeks before Mr Lothar Spath, the Prime Minister of the German state of Baden-Wuerttemberg, is due to visit Mr Peter Sutherland, the European competition commissioner, to discuss an EEC investigation into between DM 170m and DM 200m of assistance granted by the state administration to Daimler-Benz.

Deufil, based in Bergkamen in the state of Rhineland-Westphalia, received help to build a new factory in 1983 under a regional aid scheme run jointly by the federal and regional governments. Normally, aid is not allowed under EEC competition rules unless the competition gives its consent, which was not the case in this instance.

The Brussels authorities have maintained a ban for the past 10 years on any aid which might add to Community production in synthetic fibres, an industry struggling at 30 per cent to 35 per cent overcapacity. The Commission does have the power to ask for state aid to be repaid without going to court, but Deufil appealed to Luxembourg on the grounds that it had received the money in good faith and that the investment contributed to the region's development.

But the Commission successfully argued that what mattered was the economic health of the Community overall, rather than the interests of one region. Any aid which helped to increase capacity in a sector suffering from a surplus of production helped neither the EEC nor the economic development of the region.

The court also accepted that even though Deufil only had a 3.2 per cent share of EEC output of polyamide and 5.6 per cent in polypropylene—two commonly used plastics—the aid for Deufil was enough to improve its position against EEC competitors.

Dutch growth forecast to slow

BY LAURA RAUN IN THE HAGUE

DUTCH economic growth will slow to 1.5—2 per cent this year from 2.5 per cent last year due to the weaker dollar and cheaper oil, according to the semi-independent Central Plan Bureau.

The softer dollar — and stronger guilder—is expected to affect exports as Dutch companies lose competiveness and squeeze profit margins as they are forced to trim prices, the Bureau said in its Central Economic Plan for 1987.

Last year's lower oil prices are now depressing prices of natural gas with the result that government revenue will plunge and the budget deficit widen despite higher taxes and continued austerity measures.

Although oil prices are expected to average $18 a barrel this year, $3 more than in 1986, a smaller energy trade surplus is mostly to blame for halving the balance of payments surplus.

Unemployment is forecast to fall to 675,000 from 710,000 (around 14 per cent) last year, although the Bureau warns that slim-productivity-gains, scattered profit declines, and meagre job growth could peopardise the decline.

Prices are expected to fall by 1 per cent from a zero rate last year. Consumer spending growth should slow to 2.5-3 per cent from (3-3.5 per cent).

Czech reform warning

BY LESLIE COLITT IN BERLIN

A SENIOR member of the Czechoslovak leadership has cautioned against copying the economic and political reforms of Mr Mikhail Gorbachev, the Soviet leader, who is expected to visit Prague shortly.

Mr Jan Fojtik, a hardline Central Committee secretary responsible for the media, joined other orthodox officials in Czechoslovakia and East Germany, who warned against emulating Soviet reforms. Mr Fojtik said that, if the unity of the Warsaw Pact countries is to be strengthened, then the sovereignty of each member—"its experiences and specifics must be respected."

Mr Fojtik's remarks were reported yesterday in the main Communist Party newspaper, Rude Pravo.

His speech followed a visit to Prague last week by Mr Lev Zaikov, one of Mr Gorbachev's aides and a member of the Soviet Politburo.

Swedish arms maker denies sale to Iran

By Sara Webb in Stockholm

NOBEL INDUSTRIES, the Swedish group at the centre of an arms smuggling investigation, admits that it showed "bad judgment" in marketing some of its weapons abroad, but denies selling weapons directly to Iran.

Mrs Anita Gradin, the Foreign Trade Minister who is faced with increasing public indignation over the affair, said there could be a further tightening in the control of Swedish weapons exports, but that the Government would wait for the results of investigation into Swedish arms companies and their activities abroad before taking a decision.

The results are due within a few weeks and are expected to recommend restrictions on the marketing of weapons overseas. At the moment, Swedish companies are allowed to market weapons anywhere but cannot sell them to countries in areas of conflict.

Mr Anders Carlberg, managing director of Nobel Industries, said that the group's auditors, Bohlins, had conducted an investigation into their weapon exports which showed that nobody in the group had sold weapons directly to Iran.

"There have been some incidents, some bad judgment in marketing, which have taken measures to correct," said Mr Carlberg. However, he would not admit which weapons or countries had been involved.

The prosecutor in the case has already warned a number of Nobel employees, including marketing staff, that they are suspected of involvement in illegal arms sales.

The police, customs officers, and armaments inspectors, meanwhile, have been conducting separate investigations into the Nobel Industries subsidiaries, Bofors and Nobel Chemicals.

The Swedish Peace and Arbitration Society and the customs investigators claim that end-user certificates for weapons orders to Singapore and certain European countries were subsequently switched, and that the arms were re-exported to the Middle East.

Bulgaria makes bid to break loose from tradition

Patrick Blum reports on radical changes taking place in Sofia

BULGARIA has had reform on the agenda for years, but now it is making a desperate bid to improve efficiency and modernise its economy amid growing difficulties at home and pressure for change within Comecon.

Mr Mikhail Gorbachev's reforms in the Soviet Union are welcomed in Sofia. "I think that the (Soviet) changes are very good ones," says Mr Ilya Guevski, deputy president of the powerful Economic Council, although officials tend to stress the differences between the two countries' approach.

Nevertheless there are obvious similarities. New economic regulations outline a system in which central planning is limited to overall strategic decisions and where economic performances rather than administrative considerations are a measure of effectiveness and a guide to future activity.

"We are moving to economic methods of management," says Mr Chudomir Alexandrov, a member of the Politburo and of the powerful Central Committee secretariat who is widely regarded as a strong candidate to succeed Mr Todor Zhivkov, the 75-year-old party leader and president.

Several factors have convinced the Bulgarian authorities of the need for radical change. The post-war headlong drive towards industrialisation has run out of steam and some of its more negative features have become evident. Bureaucracy, inefficiency and waste, poor management and corruption have damaged the economy and risk holding back further development.

The past 18 months have seen a mounting campaign against corruption and what official newspapers have described as abuses of power and privileges. An unprecedented number of middle and senior ranking officials have been sacked for mismanagement and incompetence. Earlier this month five top managers at the Devnya chemical combine were sacked following an investigation into an accident at the plant last November in which at least 17 people died.

Officials now dismiss rigid centralised planning as counter-productive. Mr Guevski says: "There are two ways of thinking on this. One is for centralised (planning) and the other for complete decentralisation. I don't think that we can accept either of these two extremes. What we have now is decentralised planning"

Last year seven industrial ministries were dismantled and these are not likely to be re-established, he says. "We have been without these ministries for a year and we are still working. Experience has shown that industry can go on without the (branch) ministries.

"Under the new system the state is the owner and the enterprise is the master of socialist property. Each enterprise becomes an independent economic unit with more rights and responsibilities," Mr Guevski says. Workers elected their managers for the first time in December — mostly, but not all, officially supported candidates — and the new system is now in place throughout Bulgaria.

> **Workers elected their managers for the first time in December—mostly, but not all, officially supported candidates —and the new system is now in place throughout Bulgaria**

Recent experience convinced the Bulgarian authorities of the need for change. Bad weather during the past two winters caused serious energy shortages and disrupted industry. A prolonged drought has damaged agriculture, forcing the country to import large and costly quantities of grain while the accident at the Chernobyl nuclear power plant in the Soviet Union hindered traditional agricultural exports. Last year's sharp fall in oil prices also reduced Bulgaria's hard currency revenues from exports of Soviet-supplied oil to the West.

There was a deterioration in Bulgaria's terms of trade with the West and total trade suffered, registering a small decline in value from Leva 27.8bn (£21bn) in 1985 to Leva 27.4bn last year. Trade with the West is still flagging and the share of the Comecon countries rose to 79·2 per cent of total trade, with the Soviet Union accounting for 59.2 per cent of the total.

The trade performance for 1986 was poor compared with former years in which it grew by between 5 per cent and 10 per cent annually. Mr Georgi Pirinski, Deputy Trade Minister, says: "In general the movement of prices and of exchange rates and other non-price factors did not permit an expansion in the value of exports, although the volume of exports was about the same."

By the end of the first year of the new five-year plan (1986-1990) adjustments have had to be made to annual targets although the authorities still hope for 7 per cent growth in national income this year (compared with 5.5 per cent in 1986).

Industry is being restructured with the establishment of large associations consisting of enterprises grouped in complementary industrial branches. The associations are designed to co-ordinate their members' activity, defend their interests and give advice and training. Seven have already been set up and more are expected to follow.

Competition will be encouraged. "Competition is one of the ways to improve quality and to get companies to manufacture products they have not produced so far," Mr Guevski says.

The banks, including new commercial banks, will play an important part in encouraging innovation and competition, with a selective credit policy rewarding good performance with cheaper loans and charging high interest for those whose performance is considered poor.

There will be some competition for customers between the commercial banks themselves, but this is welcomed by bankers who foresee an expansion of their role. "Competition is progress," says Mr Stefan Dotzev, deputy president of the Mineralbank, which deals mainly with small and medium size enterprises.

Prices will remain controlled —the maximum price will remain fixed—but there will be less rigidity and enterprises will be able to sell more cheaply.

Profits will be encouraged "as an indicator of efficiency... not as an aim in itself," Mr Alexandrov says, but private enterprise will not be allowed except in its present limited form as individual work carried out in personal leisure time and by the handicapped.

The reforms described by Mr Alexandrov as a "programme of reconstruction of the economy" may be as sweeping as those now being proposed by Mr Gorbachev, but unlike in the Soviet Union glasnost (openness) is not on the agenda. "We think there is enough glasnost as it is," Mr Alexandrov says, although he admits that "tradition and inertia" can get in the way of the free flow of information.

Greeks have no words for winter's icy visit

BY ANDRIANA IERODIACONOU IN ATHENS

YESTERDAY morning in Athens, the Greeks didn't have a word for it. The unprecedented sight of a snow blizzard blanketing the Acropolis left most of the inhabitants of the Greek capital speechless.

Bad weather, perversely mostly affecting the southern part of Greece, has been building up for the past week, which registered some of the lowest temperatures to hit the country in 30 years.

An informal poll conducted among the few mothball-redolent Athenians who had braved the early-morning streets in improvised blizzard gear showed that no one could remember ever having witnessed a similar snowfall in the city before.

Athens was indeed floundering badly out of its natural element, the sun. In the northern suburbs, streets were safe only for vehicles with tyre chains, while bus and trolley services were disrupted. A number of domestic air services wer cancelled. Poor visibility also reportedly affected some incoming international flights.

Matters were not much better for pedestrians. Athens pavements, seemingly laid with marble chips and arguably the most slippery in the world at the best of time, became as difficult to negotiate as skating rinks in yesterday's snow. Shops and banks were half empty, with employees telling heroic tales of how they had succeeded in getting to work that morning.

The few bewildered tourists to be seen in downtown Athens resigned themselves to a day spent in cafes, and thought wistfully of ouzo in the sunshine.

The telecommunications authority appealed to subscribers to keep to a minimum, in order to avoid a total collapse of Athens' antiquated and overburdened telephone system. Schools and child day-care centres were closed, giving little Athenians the rare opportunity to exercise their snowman-building skills. For their parents' consolation the Finance Ministry announced that because of the weather, today's deadline for turning in income tax forms was being extended to next Monday.

Paradoxically, snow blocked the road to the Mount Parnassus ski centre, normally a 2½ hour drive from Athens. It is likely to be the favourite destination this weekend, as Athenians discover that freak weather can be fun.

David Barchard adds: nearly a week of continuous snowfall has left Istanbul's 8m inhabitants with the feeling that they are living in a city under siege.

Nearly a metre of snow has fallen in a city which normally gets only very light falls each year. One 77-year-old said the curent freeze was the worst he could remember since 1929 when icebergs from the Danube floated in to the Bosporus.

Schools and banks, as well as most offices and factories were shut indefinitely

Paris Club agrees $900m Morocco debt rescheduling

BY GEORGE GRAHAM IN PARIS

MOROCCO has reached agreement with creditor nations on the rescheduling of over $900m of its official government-to-government debt.

The rescheduling agreed at the weekend with creditor governments at the Paris Club follows an accord last year with the International Monetary Fund and an agreement in December with commercial banks on the rescheduling of $1.8bn of debt payments.

The Paris Club rescheduling covers principal and interest repayments falling due between March 1987 and June 1988. They will be spread over 10 years, with a five-year grace period.

The agreement is also thought to include some $300m of payments already rescheduled.

Mr Mohammed Berrada, the Moroccan Finance Minister, is remaining in Paris this week for talks with the World Bank consultative group of aid donor countries. A minimum of $100m of aid pledges is expected to be made.

Mr Berrada will present to the group the medium-term adjustment plan that has already been put into effect and the five year plan beginning in 1988, aimed at reversing Morocco's balance of payments deficit and restoring faster economic growth rates.

Morocco's overall medium and long term debt is estimated at around $15.3bn, more than the country's annual gross domestic product, and by late last year its reserves of foreign exchange had dropped to the equivalent of half a month's imports according to Banque Francaise Du Commerce Exterieur, the state-owned trade financing bank.

Poland seeks long-term solution to debt problem

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND WANTS Western governments to supply a long-term solution to its chronic debt problems after three years of talks in the Paris Club of sovereign creditors which have come up with formulas Warsaw has been unable to fulfil and a dearth of new credits.

"The initiative is in the hands of the creditor countries," says Mr Andrzej Dorosz, the Deputy Finance Minister, who has some $2.0bn allocated for debt service payments this year and commitments of $5.2bn to cover.

A meeting with the Paris Club in January failed to produce agreement and another is expected around the end of March. This year's figures suggest that Poland will be unable to pay about $2.5bn due to Western governments.

Commercial banks on the other hand which hold around one third of the debt can expect to be paid the full $900m falling due.

Mr Dorosz says, however, that Poland would want to negotiate a rescheduling of its 1988 commitments to the banks.

"We could increase our balance of trade surplus this year by $300m to $400m and considerably strain the domestic economy in the process, but what would that resolve?" Mr Dorosz asked.

He is also disappointed that western countries have failed to come up with fresh finance.

Last year Poland missed payments worth $1.4bn to Western governments while Western banks were paid in full. At the end of December the debt stood at $34bn. Hard currency exports this year are projected at $6.2bn and imports at $5.2bn.

Unctad move to control reinsurance blocked

By William Dullforce in Geneva

THE REINSURANCE industry has scotched a Third World attempt to move towards the establishment of an international system of control over reinsurers. Developing countries had complained that the recent proliferation in the number of reinsurers had brought many companies of questionable standing into the business.

"Limited time available" in a one-week session of the Invisibles Committee of the United Nations Conference on Trade and Development (Unctad), last week prevented in-depth negotiation of a resolution talbled by a group of developing countries, an Unctad spokesman said. The resolution also called on supervising agencies to take measures for assessing the solvency of reinsurers.

Private sector advisers among the delegations from the big reinsurance countries, West Germany, Switzerland, Britain, the US and France, insisted on the importance of maintaining freedom of contract. The developed countries delayed consideration of the Third World resolution until time had run out.

Ms Fateu Diagne, spokeswoman for the developing countries, expressed their "keen disappointment" at Friday's final session of the committee, which had been attended by delegations from some 40 governments.

Mr Brant Free, director of the Office of Service Industries at the US Commerce Department, argued that restrictions on reinsurance would not serve the long-term interests of the Third World.

It would be more to their benefit to seek improvements in the information which insurance companies should ask for when doing business with reinsurers, Mr Free said. Companies should have a checklist of the appropriate criteria.

Delegates referred to the criteria for assessing reinsurers listed recently by a working party in the Organisation for Economic Co-operation and Development.

The checkpoints proposed were the quality, reputation and integrity of owners, directors and underwriters; technical and management skills; ultimate ownership and intercompany relations; the reinsurer's past record; underwriting performance; proper analysis of technical reserves; sufficient assets to meet required reserves; additional assets to support new business.

Support for the Third World case for stricter international control came in an Unctad report, revised by private sector advisers, which found that many recent entrants to the reinsurance business lacked both knowledge and experience.

Of the 376 professional reinsurance companies now operating in the world nearly three-quarters have come into existence in the past 25 years, many in free zones and in countries offering offshore facilities.

Some had viewed reinsurance merely as a vehicle to develop investment funds at a time of extraordinarily high interest rates, the report claimed. The subsequent competition for premium income had led to a deterioration in the quality of underwriting.

OVERSEAS NEWS

Sharon hits back at US over Pollard affair

BY OUR MIDDLE EAST STAFF

MR ARIEL SHARON, Israel's Minister of Trade, and a hardline member of the cabinet, yesterday hit back at criticism of his country's spying on the US, saying that Washington had not given Jerusalem all the intelligence it required.

He said Israel should stop apologising for the fact that Jonathan Pollard, the former navy intelligence analyst in the Pentagon convicted last week, had passed top-level secrets to Israel.

In a typically robust response Mr Sharon, the Defence Minister who masterminded the Israeli invasion of Lebanon in 1982, said: "Israel must remain firm and need not bow to pressure of any kind."

Previously, the Israeli leadership has said that Pollard's espionage was a "rogue" incident—implying it was not authorised at a top level.

Mr Sharon's comments to reporters seemed to imply that Pollard's efforts on Israel's behalf — which made possible the precision bombing of the Palestine Liberation Organisation's Tunis headquarters in 1985—were known in high quarters.

He spoke amid clear indications that Israel's 10-man "inner cabinet" would rule out a commission of inquiry when it meets tomorrow as leaders of the Labour and Likud blocks in the coalition Government close ranks in a refusal to bow to US pressure.

Mr Sharon was responsible for the appointment of Mr Rafi Eitan to head the Lekem intelligence service, a unit attached to the Defence Ministry, to which Pollard reported, when he was head of the department.

Mr Yitzhak Shamir, the Prime Minister, was equally defiant on Sunday night when he said that the two officials whom the US want to be held to account for Pollard's spying and dealt with appropriately, had undergone sufficient punishment and required no further investigation.

The other one, indicted by a federal grand jury in Washington last week, is Col Aviem Sella, the alleged controller of Pollard in his spying activities.

Col Sella's recent promotion to command Israel's second most important air base has shocked State Department and Pentagon officials.

On his recent visit to Washington Mr Shamir described the affair involving the passing to Lekem of more than 1,000 classified documents as being of "no importance."

Clearly, though, Jerusalem's relations with Washington have been strained badly at official *level, not lease because revela*tions about Pollard coincided with the Tower Commission's findings about Israel's role in the sale of American arms to Iran and the funnelling of the proceeds to Contra rebels, fighting the Nicaraguan Government.

Aquino launches senate election campaign

By Richard Gourlay in Manila

TWO FORMER beauty queens, an actor and the founder of the Marxist New People's Army are among 132 senatorial aspirants who have registered as candidates for national elections on May 11.

The campaign started yesterday with President Corazon Aquino launching her coalition's bid for the 24-seat senate.

The elections will return the country to democracy for the first time since former president Ferdinand Marcos declared martial law in 1972.

Issues are likely to take second place to personalities in the campaign. The main opposition bloc, the Grand Alliance for Democracy, is led by the former defence minister, Mr Juan Ponce Enrile, who Mrs Aquino sacked last year after he was implicated in an alleged coup attempt.

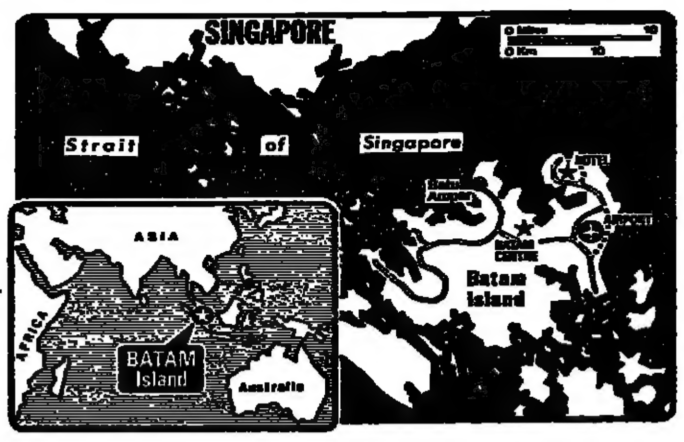
Also in opposition are remnants of Mr Marcos's party and, for the first time, a left wing party, the Partido ng Bayan, many of whose members are former political detainees including the founder of the New People's Army, Mr Bernabe Buscayno.

The campaign for lower house elections, also on May 11, will start later this month when the parties declare their candidates for the 250-seat assembly.

Interview with Ferdinand and Imelda Marcos, Page 21

John Murray Brown in Jakarta looks at plans to exploit Batam's strategic position

Indonesia seeks to tap island's potential



FROM THE air Batam looks much like any one of Indonesia's 13,000 islands, a tropical forest surrounded by a coral sea. However, government authorities predict that by the year 2004 this island will be a centre of industry, an export processing zone supporting a population of 700,000. It will be a match, they claim, for Singapore just 17km across the straits.

Like many of Indonesia's more ambitious projects, Batam is the brainchild of Dr B. J. Habibie, the eccentric Minister of Research and Technology, a close confidant of President Suharto. Since 1979 over $200m of public funds has been invested in this 416 sq km plot, over 100km of arterial roads now criss-cross the island, and an airport, able to handle an Airbus is all but complete.

Batam was originally planned by officials of Pertamina, the state-run oil company as a staging post for Indonesia's oil exploration business. Then, in 1972, the company commissioned a feasibility study by Bechtel of the US and Nissho-Iwai of Japan to consider Batam as a free trade zone, attracting a wide variety of heavy and light industry.

The island is seen to have many advantages. Strategically positioned overlooking one of the busiest shipping lanes in the world, Batam could offer deep water facilities for marine servicing and supplies.

It could be used as trans-shipment point for Indonesia's commodity exports – tin, palm oil, coffee, tea, rubber and pepper – all of which currently go through Singapore, losing Indonesia valuable revenues in handling and warehouse charges.

At the same time the island could take advantage of all Singapore's modern financial and service sectors. Unlike Singapore, Batam has few land contraints. Furthermore Indonesia, the world's fifth most populous nation with 165m inhabitants, offers a ready market of cheap labour.

For all that, the response from the private sector has been disap*pointing. To date, domestic and for*eign investment in Batam amounts to $187m, according to figures from the Batam Island Development Authority (Bida) – less than the amount spent by the government on infrastructure. What is more, almost all the investment is in oil-related business, mostly semi-skilled processing like steel fabrication, pressure vessel manufacture, drilling mud grinders, pipe threading and coating.

In an effort to stimulate the project the Government last year directed all the oil majors involved in exploration in Indonesia's fields to move their supply and service subsidiaries from Singapore to Batam.

The move was unfortunately timed. Last year's dramatic drop in oil prices resulted in a sharp contraction in business activity. With fewer exploration contracts being signed, demand for platforms and rigs has fallen sharply.

"We have to get more outside work there's now not enough in Indonesia," said a site official for MacDermott International, one of the first companies to set up in Batam.

MacDermott, which in better days assembled the roof of Singapore's Changi airport in Batam before floating it across the straits, now looks to India and Taiwan for rig supply contracts. Both MacDermott and Harvey Laurence, which each employ more than 1,000 men on the island, say they have only enough work to last out five months.

The fall in oil exports, which account for over 50 per cent of the government's receipts, has also had a direct impact on Bida's spending plans, with the authority's budget cut in 1986–87 by 18 per cent – and further cuts expected this year.

The ripples have already been felt in the Island's fledgling retail sector. In the duty-free shops – where, it is said, beer is cheaper than the tea in Singapore – the loss of business is all too apparent. Offices and newly built shopfronts – despite attractively low rents – stand empty. Across the island visitors see signs to "Batam centre", the residential and recreational showpiece. But signs are all there is. Building has yet to start. Businessmen and journalists who visit the island put up in Portacabins.

Bida remains optimistic, particularly Mr Soedarsono Darmosoewito, its chief executive, a retired general and coincidentally Dr Habibie's brother in law. "Batam is the doorway to Indonesia" he says looking from his office across to Singapore.

Batam's links with Singapore both political and commercial remain vital if the project is to succeed. Singapore has agreed in principle a free trade policy between the two islands. The support of Mr Lee Kuan Yew, Singapore's Prime Minister, is said to depend on Indonesia's agreement there be no gambling on Batam. Observers, especially Singapore's Chinese, believe Batam's best future is as a Casino for the island state, like Macao to Hong Kong.

Some reports suggest Jakarta may lift the gambling ban after the national elections in April. Perhaps with this mind Bida is going ahead with hotel construction despite a glut of hotel space in nearby Singapore.

For many businessmen in Singapore Batam remains a curiosity, just a building site. "A hard hat area", as a banker put it.

Batam currently exports pigs for Singapore's best restaurants, and sand to fill its golf course bunkers.

Chad and Libya meet for secret peace talks in Sudan

THE Sudanese Prime Minister, Sadeq al-Mahdi, implicitly confirmed yesterday that Chad and Libya were holding secret peace talks in Khartoum, Reuter reports.

Asked about a press report that officials from the two countries were meeting in the Sudanese capital, Mr Mahdi told a news conference: "They will return to their respective leaderships for consultations on the outcome." He did not elaborate.

The daily newspaper, al-Syassa, said yesterday that two Chad ministers were holding peace talks with Libyan envoys and Mr Ali Hassan Tajeddin, a member of Sudan's five-man Supreme Council.

Mr Tajeddin has been leading Sudanese efforts to mediate an end to fighting in Chad between Libyan-backed rebels and French-backed government forces.

Mr Mahdi stressed that Sudan, which borders Chad and Libya, was neutral in the conflict and would not grant military facilities to either side.

"Any party which used Sudanese territory or air space did so without permission," he said, noting the difficulty of policing a country which was "the size of western Europe and nearly as big as India."

Mr Mahdi said on Sunday that a Libyan force, apparently on its way to Chad, had entered west Sudan as escort to a relief convoy but had been ordered to return home.

He referred to the force again yesterday, but did not give its size or say why it was escorting the relief convoy. There has been speculation about a Libyan build-up of troops in Sudan's Darfur province, in preparation for an offensive against Chad. Libyan-backed rebels in the north have been losing ground to forces loyal to the Chadian leader, President Hissene Habre.

Last week France moved attack helicopters to eastern Chad in response to the reports. The region has also been reinforced with anti-aircraft weapons and radar installations.

● Libyan-backed rebels have blown up a bridge linking the Chadian capital of N'Djamena with Cameroun, Libyan Radio said yesterday, Reuter reports.

NP rebels in plea for equal rights in S Africa

BY JIM JONES IN JOHANNESBURG

DR DENNIS WORRALL, Mr Wynand Malan and Dr Esther Lategan, three former National Party members standing as independent candidates in South Africa's white general election, yesterday issued their joint manifesto calling for new reform initiatives.

It centres on a call for negotiations between all South Africans "aimed at the common overriding objective of one South Africa with equal rights, justice and safety for all."

However, the three candidates exclude "extremist groups on the left and right" from their political proposals and envisage a continuation of the state of emergency to maintain order during a transition period in which black politics will be "properly organised."

The manifesto takes the form of a series of suggested initiatives needed to nurture what the candidates describe as "a new spirit in South Africa." They accept that this "new spirit" is unlikely to affect the outcome of the May 6 election, but say that it must be directed at the general election the government is constitutionally bound to call in 1989.

The candidates' calls for all constitutional options to be presented to the country by the Chief Justice for discussion; for the freeing of black politics, coupled with an end to action against politicians and political parties, an end to censorship; the scrapping of discriminatory laws, particularly the Groups Areas Act, within a specified time; the introduction of a Bill of Rights; encouragement of regional co-operation initiatives, such as the kwa-Natal Ndaba; and for deregulation of the economy.

● The South African Education Minister, Mr F. W. de Klerk, said in a newspaper interview yesterday that the National Party's plans for black political rights are "on the rocks" and will not work, Reuter adds.

Shevardnadze urges peace in SE Asia

THE SOVIET Foreign Minister, Mr Eduard Shevardnadze, has urged Indochina's communist leaders to help Moscow make Southeast Asia a zone of peace and stability, Vientiane radio reported yesterday, Reuter reports from Bangkok.

He made no reference to Kampuchea, where Vietnam, a Soviet ally, has 140,000 troops supporting the Phnom Penh Government against guerrillas backed by China, the Association of Southeast Asian Nations (Asean) and Western countries.

Mr Shevardnadze, who arrived on Sunday from Jakarta, will also visit Vietnam and Kampuchea this week on his first tour of the three Soviet-backed communist states in the region.

Burma faces austerity in budget today

BURMA, ONE of the world's poorest nations, is expected to face another dose of austerity in a budget today in the face of falling exports and declining foreign currency reserves, economists say, Reuter reports from Rangoon.

The Prime Minister, Maung Maung Kha, told parliament yesterday that foreign currency earnings in fiscal 1986-87 were likely to be only 68 per cent of the Government's target.

Export earnings for the year ending March 31 would be only $418m (£278m) against a hoped-for $612m, he said on the opening day of the budget session.

He said exports had dropped 26 per cent since fiscal 1981-82. Economists said Burma, once the world's largest rice exporter, had fallen victim to a slump on the world market for rice and its other export commodities.

Americans want US to play greater world role

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PUBLIC SUPPORT for a more active US role in the world has increased over the past *four* years, according to a survey of American *attitudes* towards major *foreign* policy issues conducted by the *Gallup* organisation for the Chicago Council of *Foreign Relations.*

The survey *includes* an analysis *of the* attitudes of the general public as *well* as a separate group of opinion leaders, such as members of Congress, the Administration, business leaders, journalists and academics working in the foreign policy field.

Although the survey was *directed primarily* at uncovering public attitudes to foreign policy issues, questions about personalities and foreign countries were also included.

These showed that Pope John Paul II was given the highest popularity rating of 71 per cent followed by Mrs *Margaret* Thatcher, the British Prime Minister, and President Ronald Reagan, who tied at 68 per cent.

Mr Mikhail Gorbachev, the Soviet leader, was rated at 42 per cent, just below former *President* Richard Nixon at 45 per cent.

So far as countries were concerned, the *Americans polled* rated Canada, Britain and West *Germany as the* countries they had the warmest feelings towards, *followed* by Japan, a country whose popularity has increased since 1982, in spite of the trade tensions.

There was continuing overwhelming support for the negotiation of arms control agreements with Moscow, for the resumption of cultural and educational exchanges and strong support for stronger trade relations.

Both the general public and opinion leaders *continued to* give a higher priority to co-operative endeavours towards Moscow than the Reagan Administration has in the past. The Administration's renewed pursuit of an arms control agenda with Moscow seems certain to win public support.

There *is* strong *opposition*, however, to sharing with Moscow technical information on the development of ballistic missile defences, as President Reagan has promised.

The survey revealed a con*tinuation of* the *steady* trend towards increased public willingness to commit US troops in selected circumstances overseas, in particular to help with *the defence of Western Europe* or Japan.

But the so-called Vietnam Syndrome of opposition to overseas *militlary* involvement is evident in majorities opposing the use of troops to, for example, defend Contra rebel bases in Honduras against an attack by Nicaraguan troops.

The survey says that *public* preoccupation with economic issues evident in 1982 when the US was in recession, has receded.

There has also been a measurable decline in public support for protectionist measures since 1982, although opinion leaders, while *still essentially* free-trade orientated, appear to be *growing slightly more* protectionist in outlook.

The survey also *confirms* earlier poll findings of declining support for the Reagan Administration's defence build-up, coupled with a readiness to continue defence spending at current levels.

This result may be linked to the general perception revealed *from the poll* that both the public and opinion leaders believe that "a favourable military balance has been restored with the Soviet Union."

Costa Rica in expulsion threat to Contras

By Peter Ford in Managua

COST RICA has threatened to expell Nicaraguan Contra rebel leaders who step beyond the purely political activities allowed under the country's asylum law.

The move was seen as a bid by Costa Rica's President Oscar Arias to underline his policy of neutrality, at a time when he is sponsoring a plan to end the war in neighbouring Nicaragua.

The warning came as members of the United Nicaraguan Opposition, an umbrella group which opposes Nicaragua's *Sandinista* Government, was meeting in the Costa Rican capital of San Jose to resolve continuing factional disputes.

After a leadership shake-up last month, the UNO announced it would expand its role from political lobbying to take greater control of the Contra rebels' military effort to overthrow the Managua government.

Until now, the military role has been mainly in the hands of the largest Contra army, the Nicaraguan Democratic Force, whose leaders have always been *banned from* Costa Rica.

The UNO's *assumption* of military responsibilities appears to have prompted the Costa Rican warning. Costa Rican law "forbids exiles from extending their activity to the promotion or use of force or violence," the government statement stated.

The issue is especially delicate to Costa Rica, host to two of the UNO's top three officials, at a *time* when President Arias is promoting a Central American peace plan he unveiled last month. All five Central American presidents are due to discuss the *proposal further at a* meeting in May.

Sunday's warning threatens to deny asylum to any Nicaraguan who violates "Costa Rica's law and its efforts for peace."

North awaits outcome of legal challenge to Iran prosecutor

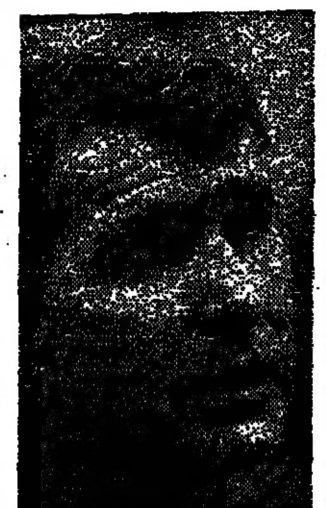
BY LIONEL BARBER IN WASHINGTON

LT COL Oliver North, the forfer White House aide at the centre of the Iran arms scandal, was yesterday waiting to hear if he had succeeded in his legal challenge to the Government-appointed special prosecutor investigationg the affair.

Col North's lawsuit—which comes as two congressional committees are considering giving him limited immunity—contests the constitutionality of the special prosecutor law. Mr *Lawrence Walsh, the special* prosecutor in the Iran affair, *has already* warned that the court challenge could "irreparably injure" his criminal grand jury investigation.

The 1978 Ethics in Government Act is the mechanism by which special prosecutors (known also as independent counsels) are appointed by a three-strong panel of *federal* judges to investigate alleged *wrongdoing* by *senior government* officials.

The *Ethics* in Government Act was drawn up by Congress in the wake of the Watergate scandal. Lawmakers were worried that future presidents under fire might seek to emulate former President



Lt Col North: challenge to the law

Richard Nixon, who sacked Mr Archibald Cox after appointing him as a special prosecutor.

By handing over the powers of appointment to a federal panel of judges, Congress hoped to bolster the special prosecutor's independence against executive interference—hence the new name of independnt counsel.

But Congress left itself open *to* charges that it was infringing the President's constitutional responsibilities for law enforcement.

Last week, in a move aimed at protecting Mr Walsh's investigation, Mr Edwin Meese, US Attorney General, made him an *employee* of the Justice Department and therefore the Government.

The North suit is more than an arcane dispute over US constitutional law—it presents acute dilemmas for the Reagan Administration.

The core White House defence in the Iran scandal is to avoid any pretence of a cover-up. This led, *last year*, to the appointment of Mr Walsh, *replacing* Mr Meese, as the *head of* a criminal investigation.

Col North's challenge *is* the second attack on the Act. Mr Michael Deaver, a former secnior White House aide to President Reagan, has mounted a similar legal challenge to a special prosecutor's investigation of his activities as a lobbyist in Washington.

Nicaraguan opposition leaders arrested

NICARAGUAN police took three *opposition political* leaders into custody during a weekend demonstration held in defiance of a state of emergency, AP reports from Managua. Police broke up the demonstration, held *to mark* International Women's Day, as about 200 people prepared to march from a church where *they had attended mass.*

Mr Julio Ramon Garcia Vilchez, vice-president of the Social Christian Party, Mr Gilberto Cuadra, president of the Nicaraguan Development Institute, and Ms Maria Mimbreno, a youth leader of the Conservative Party, were pushed into the back of a police vehicle.

The three were detained for "lack of respect for authority."

About 30 police officers surrounded the demonstrators as they stood on the pavement in front of the El Carmen Roman Catholic church near the centre of Managua.

Indian chief hits at Mulroney

BY BERNARD SIMON IN TORONTO

SOUTH AFRICA'S ambassador to Ottawa is to visit the biggest Indian reserve in the province *of Manitoba* today, in a move which could embarrass Mr Brian *Mulroney, Canada's* Prime Minister.

Chief Louis Stevenson, head of the 3,300-strong Peguis band and a leading advocate of native people's rights in Canada, hopes to draw attention to the plight of North American indians by inviting the ambas*sador, Mr Glen Babb, to tour* the 75,000-acre reserve 125 miles north of Winnipeg.

Chief Stevenson plans to ask Pretoria to provide his community with financial aid to make up for the alleged shortcomings of the Canadian Government.

The Chief has resisted pleas *from anti-apartheid groups and* from members of Canada's ruling Progressive Conservative Party to cancel the invitation.

The African National Congress, the banned South African opposition group, has accused him of *playing* into the *hands* of the South African govern*ment. Pretoria has often justi*fied its race policies by comparing them with the treatment of North American Indians.

The Canadian Government is concerned that a debate on Canada's native peoples will detract from Mr *Mulroney's* efforts to take a leading role in Commonwealth action to speed up reform in South Africa. Canada is due to host summits of the Commonwealth and French-speaking countries later this year.

Chief Stevenson said: "I'm an opportunist. You can't get choosy about who listens to you *when you are desperate.*" He hopes that Mr Babb's visit will publicise the 70 per cent unemployment rate on the Peguis reserve.

Mexican elections are already in the air, **David Gardner** reports

De la Madrid ponders a successor

PRESIDENTIAL elections may be over 18 months away in Mexico, but they were the centre of attention as the ruling Institutional Revolutionary Party met for its thirteenth congress last week.

Mr Miguel de la Madrid, ineligible under Mexican law for re-election as President once his six-year term expires in 1988, must choose his successor by *around* October. Factions and barons inside the regime may express an opinion, or even occassionally exercise a veto, but the prerogative of selection is the President's alone.

All the indications are that Mr de la Madrid will select from an *unusually large field* of three runners: (in likely finishing order) Mr Alfredo del Mazo, the Energy Minister, Mr Carlos Salinas de Gortari, Planning Minister, and Mr Manuel Bartlett, Interior Minister.

The three main candidates hoping for selection in the Mexican presidential election, left to right: Carlos Salinas de Gortari, Planning Minister, Manual Bartlett, Interior Minister, Alfredo del Mazo, *Energy Minister*

Since the Mexican revolution *of 1910-20 became institution*alised in the Twenties and Thirties ,the sitting president has identified his successor by the process known mystifyingly as *ascultation* — literally, what a doctor does with his stethoscope, but more often presented by cartoonists as a giant finger pointing at "the chosen one."

To add to the mystification, no "pre-candidate," as the hopefuls are known, can run openly. This is regarded as indiscipline—the worst crime known to the regime—and was one of the main accusations levelled at Mr Jesus Silva Hertzog, the charismatic finance minister who "resigned" in June.

From the outset, Mr Silva had been the dangerously obvious front runner in the presidential stakes *in* an administration staffed mostly by technocrats with no political track record. The only star in an opaque sky, his real crime was to seem to eclipse Mr de la Madrid in a tradition which *demands that all glory reflect* on one's superior.

Mr Silva's error, in fact, was that he did not perform in the manner PRI internal politics demand: as PRI prince he should have bound together a *tight faction of subordinates* and followers.

Mr Silva had numerous but scattered supporters, intellects with little baronial clout; a loner, he seemed to regard his own superiority as self evident; and furthermore, he spent too much time abroad negotiating with bankers and not enough on *backstairs* political chat.

Discipline will out, however. In *exchange for keeping his* mouth shut about the reasons for his departure and not replying to the PRI's unusually public attacks on him, according to reliable reports he will shortly have his foot back on a bottom rung of the ladder: the Mexican Embassy in Madrid.

Discipline is the hallmark of Mr Salinas, the main ostensible *beneficiary of Mr Silva's depar*ture, which most observers reckon he and Mr Bartlett helped engineer.

Mr Salinas, 38, has pursued essentially the same economic agenda—underlining the personal rather than philosophical nature of the dispute with Mr *Silva*—but *is careful to* ascribe *its* merits to Mr de la Madrid.

Mr Salinas' star has been hitched to the president ever since *Mr de la Madrid* wrote him a flattering academic reference for Harvard, their common post graduate *alma* mater. He is astute, tenacious, with a legendary *appetite for* work, and a sense of humour ("Oh no!" cautions a senior finance official and Salinas-watcher, "*he has* deliberately developed a sense of humour").

Mr Salinas has by far the strongest team and some major preferments to his credit, such as the promotion from deputy Planning Minister to Environment Minister of the young and *politically* able *Mr Manuel* Camacho, himself a long shot *for the presidency.*

Mr del Mazo, 43, is personally *close to Mr de la Madrid, who* is the godfather of one of his children and reputedly describes his as "the younger brother I never had." His background is mainly in private and state banking; he has the *vital support of Don Fidel* Velasquez, octogenarian overlord of the *pro-pri* trade union bureaucracy; and, alone on the short list, he has governed a state — the complex state of Mexico, bordering the capital, and in several respects a microcosm of the country, *where he headed probably* the most formidable PRI machine in Mexico. Fiercely ambitious, personable and confident, this political seasoning gives Mr del Mazo the edge as front runner.

But Mr Bartlett, 50, holds the key political portfolio, and In*terior Ministry, from* which many Mexican presidents have emerged. For the regime's critics, *Mr Bartlett has* presided over the most blatant and widespread *instances* of ballot rigging seen here in decades against right and left. But from the regime's viewpoint his tenure has seen remarkably little social unrest despite Mexico's worst economic crisis *for half* a century.

Yet a strong current of opinion in Mexico argues that the next presidency—and with it possibly *the regime—will stand or fall* on its ability to satisfy the growing clamour here for real democracy, with clean elections and accountability.

Inside the PRI itself, the emergence of the so-called democratic current, calling among other things for the open election of the party's presidential candidates, was the high *point of last week's* otherwise ritual congress.

Any such hope was quickly blighted by Mr Jorge de la Vega, the PRI president, who called on the party to close ranks around Mr de la Madrid and warned that this was no time for "utopian postures which distract, confuse and thereby obstruct (our) ability to change reality."

According to those who *understand the* Mexican language of politics, he was talking about democracy.

Ruling party 'is betraying the revolution'

BY DAVID GARDNER IN MEXICO CITY

THE authoritarian and anti-democratic practices of the leadership of Mexico's ruling Institutional Revolutionary Party (PRI) are betraying the principles of the 1910-17 revolution and delivering up thet country to the Right, *according to the party's* Democratic Current group.

In an open letter to party members published on the front page of the main Mexico City dailies, Mr Cuauhtemoc Cardenas, a leader of the Democratic Current, said yesterday that the PRI leadership's rejection of internal party democracy was tantamount to accepting dictatorship as the only alternative.

Mr Cardenas is ason of the late *Gen Lazaro Cardenas*, a President i nthe 1930s and Mexico's dominant political figure this century. His letter is seen as the most swingeing attack on the regime by an insider for decades.

It comes in response to last week's bid by the PRI leadership in effect to shut down the Democratic Current. Mr Jorge de la Vega, the PRI's president, dismissed Mr Cardenas and his colleagues as no more than "a letter-*head.*"

Mr de la Vega was winding up the party's 13th national assembly, which centres on choosing a successor for President Miguel de la Madrid, a process traditionally the sole prerogative of the sitting president, which the Democratic Current wants transferred to the rank and file.

In his counterattack, Mr Cardenas argued that the PRI leadership's fear that *democratising* the party would put at risk its hold on power was "to accept that our government, in order to retain power, must evolve into an oligarchy, a dictatorship, an aristocracy."

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WORLD TRADE NEWS

TAIWAN YIELDS TO 'BUY AMERICAN' PRESSURE

UK firm loses mass transit work

BY BOB KING IN TAIPEI AND PETER MONTAGNON IN LONDON

A BRITISH firm has been squeezed out of a lucrative consultancy contract for the £5bn Taipei Mass Transit Project following political pressure on the Taiwan Government to "buy American."

The firm is British Mass Transit Consultants (BMTC), a partnership led by Freeman, Fox whose members also include London Transport Industries. Its dismissal has prompted fears that European companies will find it hard to win contracts for the project which are due to be awarded later this year.

BMTC has been working on the project for about two years and had expected to continue until the first phase of the mass transit system is completed in 1991. But, although it has been told by the Taiwanese authorities that its work is entirely satisfactory, its contract has abruptly terminated from today.

Mr Robert Channing-Pearce of Freeman, Fox said in London that Taiwan was within its strict legal rights in terminating the contract. There was, however, "a clear intention" that it should run through to the end of the project.

He said the decision to squeeze the British partnership out of the deal followed intense political lobbying by the US which is seeking ways to redress its $13.6bn trade deficit with Taiwan.

The Taiwan Government is currently negotiating a new contract with American Transit Consultants, a group that includes Parsons-Brinkaerhof and Bechtel Engineering of the US.

Mr Channing-Pearce said the worry now was that the new consultants would favour US exporters when contracts are awarded for the project.

"The US pressure is going to come on," he said. "It won't be our client (the Mass Rapid Transit Authority) who will make the decision. They'll be made higher up."

Taiwan fears that protectionist pressure in Washington could lead to the imposition of sanctions unless it takes steps to convince the Reagan Administration and the Congress that it is sincere in trying to reduce its trade imbalance with the U.S.

A project official in Taipei said the Government is now talking to the US group because it ranks first in technical evaluations. He also denied any political interference in the award of contracts for the system.

BMTC has earned about £3.25m from the contract and so far has produced contract documents for all the equipment side. Mr Channing-Pearce said there was little that it could do to reverse its dismissal, partly because the UK does not recognise the government of Taiwan.

Tony Walker reports on a successful drive for foreign investment

Glory restored to Egypt's hotels

WHEN Agatha Christie's mystery, Death on the Nile, was made into a film, the Cataract Hotel at Aswan in Upper Egypt made a grand location for several of the more memorable scenes.

The hotel's façade was suitably evocative of an imperial past. Indeed what better place to display some of the film's principal characters than the Cataract's elegant terrace overlooking the Nile?

Unfortunately the impression of elegance was superficial. The Cataract itself, like many of Egypt's grand old hotels such as the Winter Palace at Luxor, had fallen on hard times.

The plumbing would not have been out of place in a Victorian doss house, the food was exercrable and service fell short of acceptable standards. The nationalised hotels lost money.

Now, the Egyptian Hotels Company, which controls 18 of the country's better known hotels, is busy divesting itself of the management of these facilities in the hope they can be returned to profitability for the first time in years.

Mr Baheiddin Nasr, chairman of EHC, said it planned to turn a 1986 loss of E£6.3m ($4.6m) into a profit by 1988 through a series of leasing arrangements with major international hotel chains and leisure groups.

Etap of France has taken over management of the Cataract and Kalabsha at Aswan and is negotiating an agreement to lease the Cecil on the waterfront at Alexandria which served on occasions as Montgomery of Alamein's wartime headquarters.

EGYPTIAN HOTEL MANAGEMENT

Management company	Hotel	Contract
Scandinavian Management Co.	Shepherd's, Cairo Palestine, Alexandria	$12m for both
Etap	Cataract, Aswan Kalabasha, Aswan Cecil, Alexandria	$4m $0.5m negotiating
Club Mediterranée	Amoun, Aswan	$3m for 20 year lease
Setec Tourism International	El Nil, Cairo Savoy, Luxor	protocol signed in October
Tudor	Scheherazade, Cairo El Borg, Cairo Luxor, Luxor	negotiating
Hyatt International	Winter Palace, Luxor	negotiating

The Scandinavian management company has contracted to run the Palestine Hotel at Alexandria and the famous Shepherds on the Nile at Cairo. The Hyatt group is negotiating to take over management of the Winter Palace.

Club Mediterranée is also making a push in Egypt. It is refurbishing the Amoun Hotel in Aswan to add to its existing facilities, which include the Manyel Palace at Cairo and holiday villages at Luxor and Hurghada on the Red Sea.

The French leisure group also has several ferries on the Nile and advanced plans for an additional tourist village at Mallawi near Minya in Upper Egypt, about 300 km south of Cairo. Club Med's investment in Egypt totals about $10m.

Mr Alain Fouquet, manager of Club Med in Egypt, says the group has confidence in the place. "How can Egypt not be an attraction?" he asks. Latest tourism figures bear out Mr Fouquet's confidence.

After a bleak 1986 when police riots in Egypt and other Middle East-related violence elsewhere turned thousands of tourists away, numbers have picked up strongly.

Mr Nasr said the aim of the EHC's privatisation drive was twofold: to "liberalise" the management of Egypt's historic hotels and, through foreign investment, to "refurbish and renovate" these establishments.

Etap, for example, has undertaken to spend about $4m on the Cataract over three years in an attempt to restore it to its former glory. The Scandinavian management company is allocating about $12m towards renovating Shepherds and the Palestine and Club Med is spending about $8m on the Amoun at Aswan.

Other international companies involved in negotiations with EHC are Setec Tourism International of France, which is interested in the El Nil Hotel in Cairo and the Savoy at Luxor, and Tudor, a Jersey-based British company which is considering taking a long lease on the El Borg and Scheherazade hotels in Cairo.

Mr Nasr says EHC wants to secure foreign management contracts for all 18 hotels under his organisation's control. "Our aim," he said, "is the privatisation of management of all public sector hotels."

S Korea delays N-plant contracts

By Maggie Ford in Seoul

THE SIGNING of formal contracts worth $2bn-$3bn to build two nuclear power stations in South Korea have been delayed because of arguments over the transfer of technology.

The contracts, won last September by Combustion Engineering, General Electric and Sargeant and Lundy, all of the US, were due to be completed last week. But officials at the Korean Electric Power Corporation (Kepco) and the Energy Ministry said the terms were being reviewed.

The Government was widely criticised last year over its decision on the 900 MW reactors. Other bidders included Framatome of France, AECL of Canada and Westinghouse of the US. Observers believed the Government had made a political decision to award all sections of the work to US companies, possibly in response to pressure to reduce the country's substantial trade surplus.

Western diplomats said the contract had been rushed through, ignoring normal qualifying procedures.

A Kepco official was quoted yesterday as saying that the US companies might have thought the power company was pressed for time due to the self-imposed deadline. There was enough time for fine tuning, however, he said. The problems were expected to be ironed out shortly.

Analysts believe that the parlous state of the US nuclear industry following the Three Mile Island nuclear accident and the Chernobyl reactor disaster in the Soviet Union, may have led the contract winners to pitch their bids at an unrealistically low price. Efforts to improve price levels before finalisation of the contract may have caused the delay, they suggest.

The South Korean Government is keen to gain good terms on the transfer of technology so that it can build the next set of stations without foreign help. But the terms offered by the US companies are not understood to have been as favourable as those put forward by competitors.

Hong Kong challenges top spot in watchmaking

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

HONG KONG is challenging *strongly to overtake* Japan as the world's leading source of wristwatches.

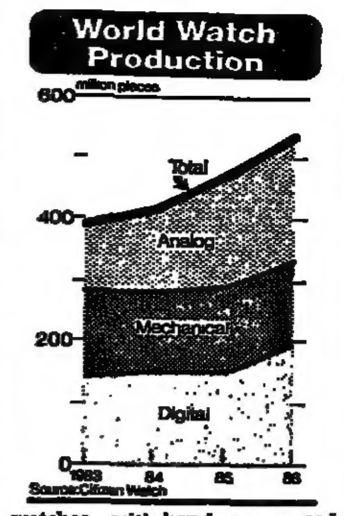
Output from the Crown Colony soared by 40 per cent last year to about 140m units, according to Citizen watch of Japan.

Citizen, the world's second largest producer after Hattori Seiko, reports that Japanese output increased by only 7 per cent to 190m watches. This was the country's first single-digit increase for several years.

The value of Japanese production fell 20 per cent to Y290bn (£1.2bn) because of price competition and the appreciation of the yen against the US dollar. Swiss volume output rose 7 per cent to 64m pieces, Citizen says, while the value of sales remained unchanged. Global production increased 14 per cent.

The dramatic shift in market share was due to Hong Kong companies last year subcontracting assembly work of digital watches to China, where labour *is still exceptionally cheap.*

At the same time, they moved forcefully into the fashionable market for quartz analog watches—with hands as opposed to number displays — using imported movements.



Source: Citizen Watch

The market for digital watches has been flat for several years, but the flood of cheap *products* from Hong Kong appears to have revived interest. World digital output rose 31 per cent to 195m units, analog shipments went up 16 *per cent to 200m*, and production of mechanical watches slipped 5.5 per cent to 135m.

Average world sales during 1986 increased to 98 watches per 1,000 people, ranging from 371 per 1,000 in the US to 43 in China and 36 in smaller Asian countries.

Citizen notes that there is still considerable room for increased sales in the developing world. However, Hong Kong's labour cost advantages suggest that it will benefit most from any general expansion of demand.

Citizen itself boosted output by 21 per cent, but price competition and the strength of the yen combined to reduce the value of sales by almost 10 per cent. The company is diversifying rapidly away from watches and increasingly into other areas of precision mechanical and electronic engineering.

In 1984 diversified products, including office equipment and machine tools accounted for only 28 per cent of group sales. *The proportion rose* to 32 per cent in 1985, 42 per cent in 1986, and is forecast to reach 50 per cent in 1988.

HK official critical on US sales

BY DAVID DODWELL IN HONG KONG

HONG KONG electronics manufacturers have seen their share of the US market slump largely because of a "short-term mentality" resulting in the pursuit of "fad" products, limited local component manufacture, and inadequate investment in research, says Mr Eric Ho, the territory's Trade and Industry secretary.

Opening a conference on new technology in electronics, Mr Ho said local manufacturers had lost market share to countries like South Korea and Singapore between 1983 and the end of 1985. Hong Kong accounted for just 3.5 per cent of US electronics imports in 1985, compared with 6.4 per cent two years earlier.

Electronics goods accounted for about 21 per cent of Hong *Kong's domestic exports in 1985* and were worth about HK$27bn (£2.2bn). It is estimated that just over half of such exports go to the US.

Mr Ho said Hong Kong electronics manufacturers depended too much on imported components and parts and relied heavily on assembly of products supplied by original equipment manufacturers, mainly in Japan.

This heavy dependence has led to growing problems over the past year, because the rise of the yen has led to higher im*port costs from Japanese com*ponent manufacturers. Growing US pressure on Japan to raise the price of semi-conductor exports has also caused concern among Hong Kong manufacturers.

The reliance on "fad" products has long been a matter of concern in Hong Kong's industry department. Less than a year ago, it revealed that watches and clocks accounted for 24 per cent of exports in 1985, portable radios 12 per cent and telephones 7 per cent.

Toys using electronic components account for another large share of overseas sales and all these products are notoriously vulnerable to the vagaries of consumer tastes.

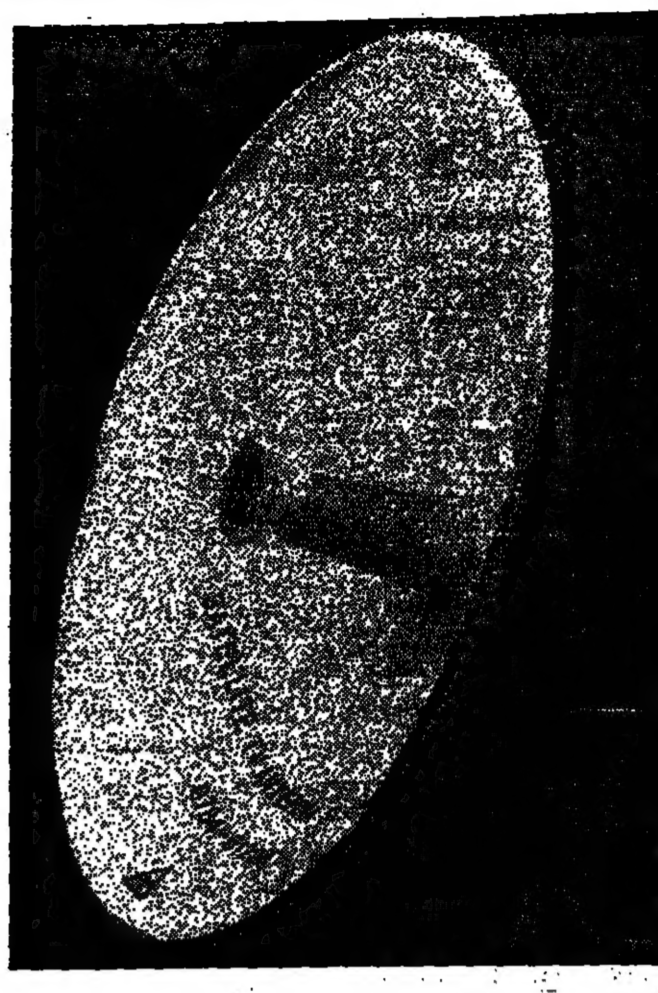
Industry Department officials have recently claimed that dependence on such "fad" products is declining, and that the number of local manufacturers producing more sophisticated electronics products was increasing.

DAEWOO CORPORATION, parent company of one of South Korea's top four conglomerates, boosted exports to Europe by 120 per cent in 1986, recording total sales of $490m, writes Maggie Ford in Seoul. Electronic and electrical product exports rose 270 per cent and steel and metal products 260 per cent. *There was a fall of 8 per cent* in US exports which were hit by trade restraints.

Exports reached $2.8bn, a rise of more than 7 per cent over 1985. The target for 1987 is $3.8bn.

Applied Electronics results, Page 28

UK COMMUNICATIONS POLICY



Time to grasp the nettle

By Patrick Whitten

COMMUNICATIONS technology is now a sexy subject. With a UK market worth £20bn a year and West European sales of £100bn, it is a vast international business. Powered by deregulation, telecommunications, broadcasting, cable, mobile and satellite communications are all gaining momentum. Yet success in these competitive fields relies on a modicum of planning. And while other nations grasp the policy nettle, Britain stumbles from one piecemeal initiative to another.

Two obstacles stand in the way of an integrated UK communications policy. First, the Government's dislike of central strategy. Instead we have a series of imposed tactical initiatives backed by different departments, which seem mutually contradictory.

The second problem is sectional interests — network and equipment suppliers, regulatory bodies, broadcasters and so on — each pushing their own causes. The losers in all this are the customers, particularly business users, and, in the longer term, British manufacturers and service providers.

Developing a strategy means planning internationally, co-ordinating long-term aims and taking decisions using comprehensive criteria — political, regulatory, financial, technical and commercial. Yet often, the breadth of consideration seems minimal for what is a newly competitive area.

Ministers equate strategy with spending public money. The taxpayer need not be involved. Apart from this misapprehension, the Trade and Industry Department (DTI), Home Office, and bodies like Oftel (the telecommunications regulatory body) on the Independent Broadcasting Authority (IBA) are keen to pursue strategies favourable to the areas they regulate. The idea of any co-ordination seems alien. Yet muddle, contradiction and lack of a national communications policy can have devastating results. Some examples are:

CABLE: a broadband grid caught the imagination of policymakers in 1982 despite little evidence of demand. The thrust of this "wired society" scheme was for high specification and high cost networks. It was over-ambitious. Cable TV should have developed organically. If the Government was bent on a grand plan, it should have shared the cost, as fees to cable operators are minimal. High-tech infrastructure from television programmes meant a cable industry all but stillborn. And what was the Treasury's christening present? It removed the 100 per cent first-year capital allowances.

SATELLITES: A misguided desire of one arm of the DTI (telecommunications) to protect the interests of British Telecom and its new shareholders stops businesses from setting up and running their own satellite system. BT's admirably competitive buying policy means US suppliers and standards, which angers the embryonic UK antenna industry, and the DTI's section handling space issues. The regulatory position has not really been thought through so the whole system is classed as a cable network, which it manifestly is not, and subject to the inappropriate rules of the Cable Authority. The result? We hold back the prospects for commercial satellite communications.

The IBA will have given little thought to the impact of direct broadcast satellites on a fragile cable industry. Why should it? It is not an IBA province and it has no interest in the Cable Authority exanding its influence. Why is the IBA issuing a licence anyway? It presupposes more national broadcasting, yet other services make more sense. Closed user groups, remote printing, video-conferencing, data/news/financial services are all commercial point to multipoint applications for satellite. Why chase the £1bn holy grail of high cost, high risk DBS?

TELECOMMUNICATIONS: Competition is tough, with the US Bell giant moving into Britain and Europe. But we have doubts about BT flexing its own international muscles. We pursue public Videotex when Teletext (9m sets worldwide based on a UK standard) goes almost by default. Do we continue with our booming but stretched Cellnet and Vodafone cell phone networks, or join a pan-European standard, which the EEC may impose anyway?

These examples are symptomatic, more confusion than conspiracy. Hung up on information technology, are we too preoccupied by the hardware to grasp the real opportunities—in networks and services? Big Bang, and the UK strength in programming, software, and publishing (the information part of information technology) offer international scope for British communications skills.

But it needs planning. So is it too rash to suggest setting up a body like the US Federal Communications Commission (FCC)? Co-ordinating policy, it would allocate frequencies, license private services and create a realistic strategy on political and competitive commercial criteria. Its brief would include seeing fair play among national and foreign interests.

US hands will immediately counter that the FCC works better in theory than in practice. There is some truth in this. All organisations battling to compete in the US—domestic of overseas based—may have to deal with the Justice Department and a variety of courts exercising local jurisdiction. The FCC itself is subject to prevailing political winds for key policies and appointments.

Others say Britons, and indeed, Europeans generally, are less litigious than their US counterparts. The FCC "set it in concrete" style would be less appropriate than our pragmatism—we would rather settle things over a Pall Mall brandy than battle it out in court. As the big US market is such a jackpot, the pay-off may justify the costs and effort.

I do not suggest that we adopt the whole American system. In any case, the FCC is far more flexible in practice than it seems. Such a UK body would assume the functions of the Home Office, DTI, and other regulatory groups, co-ordinating policy and refereeing disputes. Taking the best of US practice—an open competitive environment and fair treatment of key interests—it would work with the grain of British pragmatism.

Critically, it would develop a proper strategy, vital with the convergence of broadcasting and telecommunications. Separate regulations and policies no longer work. The alternative? More self-disabling traumas, as we try to match foreign competitors. The opportunities abound, but we have to be much better organised if we are to take them.

The author is head of London communications analysts, CIT Research.

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The impotence of oppressed minority shareholders

BY A. H. HERMANN, LEGAL CORRESPONDENT

THOSE WHO ENTERTAIN the idea that the minority shareholders of Guinness could sue the management for loss and damage caused to the company by illegal payments and advantages offered to those willing to keep up the price of its shares, or by an outright purchase of these shares on behalf of the company, are likely to have second thoughts after reading the judgment of Mr Justice Knox in the case of *Smith and Others v Croft and Others**.

They, as well as many others who experienced the impotence of oppressed minority shareholders, would no doubt ardently wish that the Trade and Industry Department and Parliament should take note of the last words of the judge. At the 95th page of his rather obscure judgment, one reads the following cri de coeur "... I believe that it would be helpful for there to be specific procedure laid down, whether by way of Rules of Court or Practice Direction I know not, for the initiation and prosecution actions by minority shareholders to recover on behalf of of a company."

The case concerned the Film Finances Company. In 1982 the executive directors and their associated companies acquired enough shares to be able, together with Wren Trust holding 20 per cent of voting shares, to replace the chairman, Mr Robert Garret by Mr Michael Carr, a nominee of Wren Trust.

Wren Trust is a wholly owned subsidiary of the Gresham Trust, a member of the Eagle Star Group. The group could exercise, decisive influence on the management of the Film Finances Company. A manifestation of this was the wholehearted support received by this management from Wren Trust in the present action brought against it by minority shareholders.

Minority shareholders, with 43 per cent of voting shares had earlier opposed unsuccessfully the approval of 1982 accounts. They now alleged that three executive directors paid a total of £113,850 in 1980 and 1981 out of company funds to their associated companies to facilitate the purchase of company shares—an infringement of section 42 of the Companies Act 1981, which cannot be healed by an approval of the accounts at the annual meeting.

They also criticised as excessive the salaries which the directors paid themselves. A report by *Peat, Marwick and Mitchell, commissioned by Mr Hill, the chairman,* concluded *that the remuneration was not in excess of what was usual in the film industry.* It left open the question of infringement of section 42 by financing the purchase of own shares.

This case represents a fairly typical conflict between a minority, whose trusted chairman was dislodged with the help of a financial institution, and the reconstituted board backed by this institution. It raises not only some issues of procedure, as pointed out by the judge, but also points to vast uncharted areas of relations between minority share*holders and a group controlling* the company.

The action was brought by three shareholders—Mrs Nora Smith, Mrs Lucienne Crane and *Lord Rathcavan. They hold 11.86 per cent of the voting rights and sued the board for damages due, as they claimed,* to the company.

*UK courts do not interfere with the management of com*panies but an *aggrieved* minority is allowed to sue the management if it has done something which it is outside the powers of the company to do, or a fraud. In such case, any individual shareholder can sue either *in his own name or in the name of the company.*

This is of little avail to a minority without any great means if it has to bear the entire costs of such litigation. In an innovative judgment, the Denning Court of Appeal held *that in such a case the court, if it finds it just, can make the company responsible for the costs of the shareholders suing* on its behalf. The petitioners in the present case were refused such assistance last year by Mr Justice Walton, who concluded† that the accountants' report refuted their allegations.

In fact the accountants, though accepting that remuneration was in harmony with the high earnings in the entertainment industry, severely criticised the laxity of approval and recording procedures for directors' fees and expenses and found that payments *to associated companies, for the* purchase of the company's own shares were *not* disclosed to the *then chairman* and not approved by the board.

After this surprisingly easy victory before Mr Justice Walton the management went on to the attack. The company, the new chairman, three other *directors* and their associated *companies* asked Mr Justice Knox to strike out the action as frivolous, vexatious or an abuse of the process of the court. The judge did so for reasons difficult to follow. He said that even if the management does a wrong which cannot be healed by subsequent approval by the majority of shareholders, such as an *infringement* of section 42, a minority shareholder who forms a majority within the *minority of independent shareholders can stop* the prosecution *of the board.*

Still more curiously, he included Wren Trust which appointed the impeached chairman in the "independent minority" and struck the action out mainly on the grounds that Wren Trust was happy with the board and did not want it to be *prosecuted.* How can one call "*minority*" and "*independent*" to boot an institution which nominates the chairman and backs the board? It is understandable that it did not want its men to be prosecuted, but why that should make the action "frivolous or vexatious or an abuse of the process of the court" *is impossible to see.*

The *uninitiated may also find* it odd that it took 17 days *of* argument in addition to argument heard by Mr Justice Walton last year to arrive at the conclusion that the minority shareholders had no arguable case, and had to bear legal costs approaching £1m.

The initiated may wonder, moreover, whether it is not the *minority shareholder's* personal right to seek recovery *of loss caused by illegal action* of the board, independent of whatever other minority shareholders think (even real ones, and not those who nominated the chairman). And Mr Justice Knox *did* find that there was a *prima facie* case of infringement of section 42 by financing the purchase of company's own shares.

As *these matters will no doubt be addressed during the appeal proceedings, the commentator's attention may shift to wider issues.*

One of these was identified by the judge when he called for the introduction of a special provision for minority complaints. Turning up the Austrian Companies Act 1965 one finds the *perfect solution* in section 122; a 10 per cent minority can sue members of the board for mismanagement and 5 *per cent* is enough if they base their claim on facts reported by the auditors. How simple it can be! But then there would not be much to talk about for 17 days.

In Switzerland any shareholder may challenge in court the validity of any resolution of the general meeting if it is contrary to law or articles of association. In Denmark the minority which opposes the approval of accounts may sue in their own name, recovering legal costs from any award made to the company.

Then there is the wide issue of conflict between the interest of a group and one of its member companies. English courts seem to be resigned to the "impossible position" (in the words of *Lord Denning*), *of those who sit simultaneously on* the board of the holding company and of a subsidiary, where their interests clash. Inspectors investigating Cornhill Consolidated went so far as to say that in such cases directors need to be specially alert to consider the separate interests of each company.

In France, academic lawyers insist that the duty of a director is only to his company and not to the group, but courts *think* otherwise. They approve actions taken in the interests *of the group.*

Germany is the only country with a statutory regulation of the relationship. This makes *the directors of a company controlling a public company* liable for careless or unskilled instructions to the *dependent* company, which, of course, is not bound by illegal instructions.

* FT Commercial Law Report, February 11, 1987.

† Smith and Others v. Croft and Others [1986] FT Commercial Law Reports 1, 410-423.

Charterers not liable for delay caused by swell

THE NOTOS

House of Lords (Lord Keith of Kinkel, Lord Templeman, Lord Griffiths, Lord Oliver of Aylmerton and Lord Goff of Chieveley): March 5 1987.

SWELL WHICH prevents or interrupts use of a sealine for discharging purposes is a cause of delay over which charterers have no control and which exempts them from demurrage liability under the STB VOY form of charterparty.

The House of Lords so held when dismissing an appeal by Notos Maritime Corporation of Monrovia, owners of the Notos, from a Court of Appeal decision that charterers, Société Anonyme Marocaine de l'Industrie du Raffinage, were not liable *for demurrage* in respect *of* delay caused by swell.

LORD GOFF said that the shipowners chartered their vessel, the Notos, under a tanker voyage charterparty on an STB VOY form for a voyage to one safe sea line Mohammedia.

The charterers operated an oil refinery at Mohammedia. They also owned and controlled the sea line at which Notos discharged her cargo. At the relevant time *that sea line was* the only *one* in *operation* at the port.

When the vessel arrived at *Mohammedia there remained* just over 48 hours of laytime unused. Time was to start to run six hours after notice of readiness was given. Thereafter discharge was delayed, the principal cause being the effect of sea swell which rendered the sea line unusable.

Notos arrived at Mohammedia at 1254 on February 5 1982 and immediately gave notice *of* readiness. *Time began to count* at 1854, February 5, but the vessel did not start to discharge until 1720 on February 28, and did not complete until 0315 on March 8.

The dispute related to three periods, A, B and C:

Period A (1854 February 5 to 1150 February 25): Swell prevented vessels from using the sea line. Waiting at anchorage was another tanker called Al *Idrisi* which had commenced discharge but was interrupted by swell.

Period B (1150 on February 25 to 0930 February 28): Al Idrisi completed discharge and Notos remained waiting at anchorage.

Period C (1030 on March 2 to 1540 on March 7): Notos, which had commenced to discharge on February 28, was interrupted on account of swell.

The owners claimed that laytime started to run at 1854 on February 5 and claimed demurrage for 28 days, amounting to $227,138. The charterers contended that time did not run during periods A, B and C, and admitted liability for only 12 hours 20 minutes, amounting to $4,137.

The dispute *turned on* the construction of clauses 6 and 8 of the charterparty.

Clause 6 provided that "... the master shall give the charterer notice ... that the vessel is ready to ... discharge ... berth or no berth, and laytime ... shall commence ... *six* hours after. .. However, where delay *is* caused to vessel *getting into berth after giving* notice of readiness *for* any reason whatsoever over which charterer has no control, such delay shall not count as laytime or as time on demurrage."

Clause 8 provided: "Charterer shall pay demurrage per running hour ... If however, demurrage shall be incurred ... for delays by reason of ... *storm* ... such demurrage shall be calculated at *one-half* the rate specified ... Laytime *shall* not run or ... demurrage shall not accrue, for any delay caused by strike, lockout, stoppage or restraint of labour ... or any other cause of whatsoever nature or kind over which the charterer has no control."

The arbitrators upheld the charterers' *contention based on the last sentence in clause six* in respect *of* period A. They rejected *it in respect of period* B. So far as period C was concerned, they rejected the contentions of both parties and awarded demurrage at half rate under the second sentence of clause eight.

Mr Justice Leggatt upheld the award in respect of A and B, but allowed the charterers' appeal in respect of C. The owners appealed to the Court of Appeal in respect of A and C. It affirmed the judge's decision in respect of both periods. The owners now appealed.

Period A

Mr Rix for the owners submitted that under clause six the charterers were responsible for ensuring that a berth was available and that the last sentence of clause six only operated when delay was caused getting *into* berth. He relied strongly *on* "berth or no berth" in the first sentence.

The submission did not reflect the express words of the charter. The function of "berth or no berth" was no more than to provide that notice of readiness could be given and take effect whether or not a berth was available.

Nor did "delay ... getting into berth" in the last sentence of clause 6 bear the narrow meaning Mr Rix *ascribed to them, ie delay* while proceed*ing from* anchorage to the berth to which charterers had ordered the vessel. The delay referred to was postponement of the time (for any reason whatsoever over which the charterers had no control) when the vessel, having arrived at port and given notice *of* readiness, could get into berth.

The exception in the last sentence of clause 6 was very favourable to the charterers; but that was the effect of the words.

Mr Rix advanced a subsidiary submission on period A, that non-availability of the berth was not due to a reason over which the charterers had no control in that they had expressly warranted the safety of the sea line, and owned and controlled the sea line.

That was not accepted. There was no evidence that the sea line was unsafe; and ownership and control of the sea line did not prevent swell from being a cause over which the charterers had no control.

Period C

The arbitrators concluded that period C fell within the second sentence of clause 8, and that demurrage should be awarded at half-rate. They reached that conclusion on the basis that it would be absurd if half demurrage were payable in the event of delay caused by storm, but full demurrage in the event of delay caused by swell.

The simple fact was that swell was not one of the particular causes of delay specified in the second sentence. The judge concluded that just as delay caused by swell fell within the exception in the concluding sentence of clause 6, so also it fell within the concluding sentence of clause 8 as a cause of delay over which the charterers had no control.

The Court of Appeal agreed.

Once it was concluded that the exception in clause 6 was wide enough to embrace swell, it was inevitable that the exception in clause 8 should likewise be so construed.

The appeal was dismissed. Their lordships agreed.

For the owners: Bernard Rix QC and Jonathan Hirst (Holman Fenwick and Willan)

For the charterers: Anthony Clarke QC and Stephen Tomlinson (Knocker and Foscett)

By Rachel Davies
Barrister

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UK NEWS

Gulf Resources sells half its stake in IC Gas

BY LUCY KELLAWAY

GULF RESOURCES, the US company controlled by the British twins Mr David and Mr Frederick Barclay, has disposed of more than half its 11 per cent stake in Imperial Continental Gas, in a further twist in the struggle for control of the Calor Gas company.

The sale of the shares, priced at 720p each and thus valuing the company at more than £1bn, is thought to have taken place last week, though it was announced only yesterday.

The buyers were Groupe Bruxelles Lambert and Tractebel, the Belgian holding companies which last Friday launched a surprise partial tender offer for IC Gas.

The tender offer topped by 10p a similar offer earlier in the week by SHV, a private Dutch company, which last Monday surprised the market by offering to pay 700p a share for up to 23 per cent of the company.

The Gulf disposal, which has resulted in a profit before tax of $19.8m (£12.3m), is not thought to mark the end of the Barclay Brothers' interest in IC Gas. The company retains a 4.6 per cent holding, and said yesterday it was studying a range of alternative options.

Thee stake was built up last year during the bid by Gulf for IC Gas which was aborted following a reference to the Monopolies and Merger Commission.

Yesterday's announcement put an end to growing speculation about the ownership of the Barclay shares. Because IC Gas was created by an Act of Parliament, investors are not required to announce significant purchases or disposals of large stakes.

IC Gas yesterday to make any recommendation to shareholders about Friday's second tender offer. However, it said a full bid at 710p would be too low, and regretted that the Belgian companies had not undertaken to support the company's plans to reconstruct the group.

Shareholders are due to vote on a package that would divide IC Gas in two, with one part containing Calor and the group's independent oil company, and another consisting of its portfolio of Belgian investment.

Tutu says sanctions the only strategy

By Michael Holman

ECONOMIC sanctions against South Africa remain the only non-violent strategy against apartheid, Archbishop Desmond Tutu, the Anglican Archbishop of Cape Town, told a press conference in London yesterday.

Archbishop Tutu, who is visiting Britain for talks with representatives of the British Council of Churches, acknowledged that the number of deaths through political violence may have fallen off under Pretoria's state of emergency, but added: "If there is a calm, it is utterly illusory... the anger of the people is building up."

It was too early to assess the impact of selective sanctions already been applied against South Africa, said Archbishop Tutu. "To many of us sanctions are the last possible non-violent strategy ... to dismantle apartheid."

Archbishop Tutu was strongly critical of what he called "an extraordinary kind of equanimity" from Western governments to the plight of nearly 250 children under 18, some as young as 11, being held in jail under South Africa's emergency powers. The impression was given "that we are dispensible."

Cheaper electricity helps to reduce manufacturing costs

BY JANET BUSH

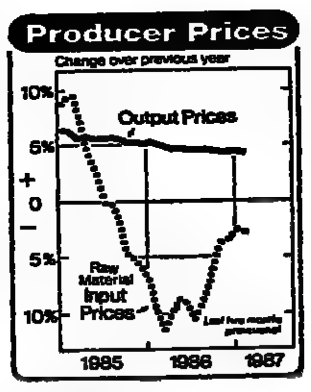
A SEASONAL fall in electricity prices pushed down British manufacturing industry's costs sharply in February, the first monthly decline since July last year, but the fall was not passed on to customers in the form of lower prices at the factory gate.

Provisional figures released yesterday by the Department of Trade and Industry (DTI) showed that the cost of fuels materials and fuel purchased by manufacturing industry fell 1.7 per cent last month on an unadjusted basis. However, costs were unchanged between January and February when the series is seasonally adjusted.

Government statisticians said the fall in electricity prices had come earlier than usual this year and should continue to be a depressing influence on input prices in March.

February's input prices were 2.9 per cent lower than they were a year earlier and around 12 per cent below the peak recorded in early 1985.

The prices manufacturers charge at the factory gate rose 0.3 per cent during February despite the fall in input prices. This sort of increase is more in line with the type of monthly rises seen since last summer and makes January's 0.6 per cent increase look like an aberration.



DTI officials attributed the large rise in January to firms deciding to increase their prices at the beginning of the calendar year.

Output prices in February were 4.2 per cent above the same month a year earlier, a slight improvement on the 4.3 per cent annual increase registered in January.

In January, manufacturers' costs had risen by an unadjusted 1.1 per cent which the DTI attributed partly to rising oil prices. Although costs are still lower than a year ago, the annual rate of decline is now much smaller than the 10 per cent rate seen last summer.

Futures fall from January record

By Stephen Fidler

VOLUME on the London International Financial Futures Exchange fell in February from January's record level. The value of the contracts traded exceeded £176bn, an increase of 77.6 per cent over February 1986.

The February decline was more than accounted for by a drop in activity in what continues to be the exchange's dominant futures contract based on long-term UK government bonds. Trading in gilt futures has risen significantly since the reforms of the gilt market introduced with the Big Band last October 27.

Total futures volume fell 6.1 per cent to 769,678 contracts, while the number of contracts based on the long gilt dropped 19.1 per cent to 424,865.

The most significant gains were made in the Eurodollar futures contract, volume in which rose 31.1 per cent to 140,417, and in the FT-SE 100 contract, where volume increased 44.7 per cent to 22,109 contracts.

Options volume dropped 15.6 per cent to 52,700 contracts, with the number of long gilt options dropping 17.2 per cent to 44,649.

Williams Holdings does not rule out full bid for Norcros

BY CLAY HARRIS

WILLIAMS HOLDINGS, one of Britain's acquisitive engineering mini-conglomerates, said last night that it could not exclude mounting a full bid for Norcros, after the packaging and building products group rebuffed its suggestion that both companies would benefit from an agreed merger.

Norcros shares advanced 32p to 344p yesterday, to value the company at £450m, after Williams disclosed that it had built up a 2.2 per cent stake. Williams shares lost 18p to 722p.

In a 20-minute meeting yesterday, Williams executives led by Mr Nigel Rudd, chairman, tried to convince Norcros of the advantages of combining the two groups building materials activities and paid special attention to UBM, the chain of builders' merchants owned by Norcros.

Mr Rudd, who described Norcros's performance as "lacklustre," also noted that both companies had engineering interests and made windows.

Mr Terry Simpson, Norcros's chief executive, said that any such benefits could be achieved through normal trading links and did not require a merger. Norcros did not plan to take part in further talks with Williams, he said.

Williams had a number of options open to it, Mr Rudd said afterwards. A full bid could not be ruled out.

The disclosure of Williams' stake followed inquiries mounted by Norcros to discover the beneficial owners of two recently acquired nominee holdings.

After a similar investigation last month, Norcros revealed that Bunzl, the paper and plastics group, had bought 2.6 per cent of its shares through 21 nominee accounts. Bunzl subsequently announced the sale of the shares, but it was not clear last night whether any were picked up on behalf of Williams.

"This is not the sign of a nervous company," Mr Simpson, insisted yesterday about Norcros's close attention to its share register.

Rolls-Royce, BAA seek new credit

BY ALEXANDER NICOLL

TWO companies due to be privatised this year, Rolls-Royce and British Airports Authority, have taken steps towards the sales by seeking new credit arrangements with their banks.

Rolls-Royce, the aero-engine maker which is expected to fetch over £1bn when it is offered to the public in April or May, has asked S. G. Warburg, the merchant bank, to arrange a £250m facility designed to replace some of its existing bank credit lines.

The Government, which has provided assurances for Rolls-Royce debt since the company's collapse and subsequent nationalisation in 1971, will cease to do so on when it returns to the private sector.

The debt, which totalled £273m at the end of 1985 and is believed to have altered little last year, will in any case be eliminated by the issue of shares over and above those to be offered in the privatisation.

Nevertheless, Rolls-Royce is arranging the £250m multiple option facility so that it can borrow short-term money when necessary to cover cyclical changes in working capital needs as part of prudent medium-term financial management, Ms Judith Harris-Jones, the company's treasurer, said yesterday.

Although detailed terms were not disclosed, a small number of banks with which the borrower has a close relationship is being asked to commit to a £150m five-year credit within the overall facility.

BAA, expected to raise over £1bn for the Government later this year, has asked Samuel Montagu, merchant banking arm of Midland Bank group, to arrange a £200m facility including a £100m committed seven-year credit from about eight banks with which it has relationships.

The financing will enable the borrower to receive short-term money when it needs to do so. The maximum interest margin above money market rates is 0.1 percentage points.

Caterpillar production

BY RHYS DAVID

CATERPILLAR, will remain as a significant producer of construction equipment in the UK after the closure of its Glasgow plant, contrary to the impression given in the Diesel Engines survey published yesterday.

The company employs around 1,000 people at its Leicester plant producing backhoe loaders and lift trucks.

It also has a manufacturing agreement with Artix which builds articulated off-highway dump trucks that are marketed by Caterpillar dealers worldwide, and a further agreement with GEC for the development and manufacture of free ranging Automated Guided Vehicles.

UK NEWS

Home shopping by TV to start next month

BY RAYMOND SNODDY

THE CURRENT American craze for home shopping by television, which has rapidly turned into a multi-million dollar industry, is about to cross the Atlantic.

A London-based company, Space-Shopping, plans to begin broadcasting a 15 minute-a-day home shopping programme on satellite television on April 27.

The programme will be carried by Sky Channel, Mr Rupert Murdoch's general entertainment satellite channel. Sky is now available to 8.1m homes through cable television networks in Western Europe, including 200,000 homes in the UK.

"We will make it a chat show as well as a shopping programme," said Mr Stephen Patterson, managing director of Space-Shopping, an American who got the idea of launching European home shopping when he saw American shopping channels on a visit to his home in Alaska.

The products offered – between five and six different ones every day – will range from consumer and kitchen gadgets to sports equipment, toys and jewellery.

Viewers can buy the mail order goods displayed by calling a telephone number and using credit cards. The company hopes to move to morning, afternoon and weekend slots.

In the US, there are dedicated home shopping channels on cable television, and independent analysts believe the turnover of the new industry could reach $1.25bn by next year.

Mr Patterson's initial goals are less ambitious – a turnover of £4m to £8m in Space-Shopping's first year.

"We don't know how the European market will react but I think this is the shopping of the future. Usually what happens in America happens two or three years later in Europe," he says.

The shareholders of the new company include Mr Tom McAnliffe, former managing director of Argos and now managing director of the Discounter chain of stores, and Mr Dennis Warshaw of Knobs and Knockers and products from Mr McAnliffe's catalogue will be shown in the programmes but Space-Shopping says it is still looking for more suppliers, including end-of-range goods.

Gillow to sell nine US stores

BY CLAY HARRIS

GILLOW, the furniture and carpet retailer, plans to sell its nine US stores to concentrate on refurbishment of its British operations.

The unquoted group, which includes Waring & Gillow, Maples and Wades Furniture, yesterday reported a pre-tax trading profit of £2.6m on turnover of £99.4m in the year to September 30. This compares with a loss of £5.2m and sales of £152.7m in the previous 18 months.

The US operation, which comprises five Binders stores in Florida and four Kimels stores in the suburbs of Washington, was the only division to show a deficit in 1985-86, losing £100,000 on sales of £15m.

The geographical division between the two chains has complicated efforts to achieve economies, according to Mr Ashley Meyer, chief executive. Gillow would consider selling them separately but wanted to make a clean break from the US.

Gillow is to give US managers an initial opportunity to mount a buy-out. The sale will be handled by NCNB, the North Carolina-based bank.

Apart from the US, the group exceeded its profits and sales forecasts in the first quarter of the current year, according to Mr Cyril Spencer, chairman. The company intends to refurbish the majority of its 147 UK stores over the next two years.

Gillow is proceeding with plans for public flotation by the end of 1988. S&W Berisford, the sugar processor and commodity trader, financed a successful takeover of the former Waring & Gillow group in 1985.

Plessey builds on System X order

BY DAVID THOMAS

PLESSEY, the UK electronics group, hopes to build on the first significant overseas order for Britain's System X digital telephone exchange, which was confirmed yesterday, to win more foreign orders.

Plessey has won a contract from Colombia, worth about £15m, to supply 13 telephone exchanges, including 68,000 lines of System X, plus associated transmission equipment.

The contract, which was won in competition against Ericsson of Sweden, NEC and Fujitsu of Japan and Italtel of Italy, is seen as crucial by industry observers in helping to improve System X's credibility overseas.

Overseas orders, adding to System X deliveries to British Telecom, are also needed to help fund continuing improvements.

Mr David Dey, managing director of Plessey Telecommunications, said: "The first export order is always the most difficult. I believe that we can build on this solid base."

Colombia has ordered System X as part of its programme of modernising its telecommunications.

Plessey has a recently strengthened marketing pact covering System X with the General Electric Company, the electronics group which shared the cost of developing System X. The companies are to discuss whether the Colombian order is to be shared between them for manufacture under the terms of the pact.

BCal will fly to San Diego

By Michael Donne

BRITISH CALEDONIAN, the independent airline which already flies to New York, Los Angeles, Atlanta, Houston and Dallas/Fort Worth, is planning to add San Diego in southern California to its route network from the summer of 1988.

This will be the first direct air service between the UK and San Diego.

The airline has applied to the Civil Aviation Authority for services from Gatwick at least three times a week, by extending its existing services between London and Los Angeles.

The airline will use DC-10 long-range jets. Fares have still to be fixed, but BCal says its package will include low-cost excursion fares aimed at leisure travellers.

The San Diego area is expanding rapidly economically

Petition issued for winding up of metal trader

By Raymond Hughes

A PETITION has been issued for the compulsory winding-up of ACLI Metals (London), a former London Metal Exchange trader recently held by a High Court judge to have been involved in a fraud against a Swiss metals company.

The Swiss company Metall und Rohstoff, of Zug, is petitioning as a judgment creditor for £43.77m, the unpaid balance of a £50.48m judgment it obtained against ACLI Metals (London) in the High Court last month.

ACLI Metals (London) is part of the group headed by Donaldson Lufkin and Jenrette, the Wall Street securities firm. Metall und Rohstoff is a subsidiary of Associated Metals & Minerals Corporation, of White Plains, New York.

The petition is due to be heard on April 15.

Yesterday, the court gave ACLI metals (London) until April 13 to lodge an appeal against last month's judgment.

UK NEWS

Jaguar assembly lines order for Fiat subsidiary

BY JOHN GRIFFITHS

JAGUAR is spending more than £50m with Coman, the robotics subsidiary of Fiat, for body assembly lines which will meet the luxury car maker's needs until well into the 1990s.

They will be capable of building up to four different models and will provide Jaguar with the capacity to produce 60,000 cars a year by mid-1989.

However, the facilities are being designed in such a way that they will be readily expandable to produce 80,000 cars a year, Mr Mike Beasley, Jaguar's assistant managing director, said yesterday.

Mr Beasley was attending the announcement of an order placed by Jaguar with Bicester-based Schenck for research and development engine test facilities worth £8.25m.

The production facilities order had been placed with the Italian company "strictly on Coman's technical merit," said Mr Beasley, and after all Europe's major production systems makers had been approached. This included those based in the UK, such as Babcock FATA.

However, he added, "the only time we go abroad for equipment is when it is not acquirable in the UK." All the machining lines for Jaguar's engines for example, had been sourced in the UK.

The Coman facilities, installation of the first phase of which began last year, represent Jaguar's joint largest capital investment undertaking to date, rivalling the £50m being spent on a new engineering centre at Whitley, near Coventry. Construction work on the engineering centre has just been completed.

Mr Beasley also in effect dismissed reports that Jaguar, might decide to build its own body pressing facilities in the near future.

Such a decision would mean the loss of business worth £55m a year for Pressed Steel Fisher, the state-owned Rover Group's pressings company at Swindon, even at Jaguar's current production volume. (Jaguar plans to produce 47,000 cars this year.)

Mr Beasley said a body pressings facility had been assessed but could be justified only at production volumes of at least 100,000 cars a year.

This is above even the vaguest and most optimistic comments that Jaguar executives are prepared to make about the company's future sales potential. At the announcement of Jaguar's preliminary financial results last week, they spoke only of a 100,000 cars a year "market opportunity" by the mid-1990s.

The contract announced yesterday with Carl Schenok of West Germany's UK subsidiary covers the provision of 24 engine test cells at the new engineering centre.

Mr John Norman, Schenck's UK managing director, said the cells were expected to meet all Jaguar's testing requirements for power trains for the forseeable future.

The contract is the second placed with Schenck by Jaguar. The first, placed last year, was for a fully-automated production engine test installation at Jaguar's Radford engine works. The test cell functions include endurance, emissions, anechoie (ecl. free), cold room and transmission testing.

Schenck employs just under 200 people in the UK, and accounts for slightly less than a tenth of the group's £250m worldwide turnover.

Privatised warship builder loses £685,000 in first year

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SWAN HUNTER, the Tyneside warship builder privatised in a £5m management buy-out 14 months ago, lost £685,000 in its first short financial year, the company said yesterday.

The loss, on turnover of £55.6m, was incurred in the first eight full months' trading to the end of last September. The management had to form a company in advance to effect the buy-out and the results represent a full year from that point.

However, Swan Hunter would have had a profitable first year had it been awarded an auxiliary oil replenishment (AOR) vessel it expected in 1986. This went to the government-owned Harland and Wolff yard in Belfast instead, forcing Swan Hunter to declare 860 redundancies.

Mr Peter Vaughan, one of the four directors who run the company, stressed yesterday that safeguarding the 3,600 jobs remaining at the yard depended greatly on the timing of a government order for a second AOR, for which Swan Hunter has now been officially invited to tender on a preferential basis.

The company has been told it will get the AOR – which should be worth between £120m and £130m – as long as it meets Ministry of Defence requirements

The need for the order goes wider than the yard: government estimates are that there are four jobs among suppliers for every one at Swan Hunter.

But the order needs to be confirmed in the summer and placed in the autumn for Swan Hunter to balance its workload among designers, fabricators, assemblers and outfitters and avoid lay-offs or more redundancies.

The yard has £200m of orders at present. These include the outfitting of the Type 22 frigates HMS Sheffield and HMS Coventry, and the Royal Fleet Auxiliary Sir Galahad,

The keel of HMS Chatham, the last Type 22 frigate, was laid in May and a contract to build HMS Marlborough, a Type 23 vessel, was awarded last July.

Accounting policies in shipbuilding are for little profit to be taken on work in the early stages of an order because the job as a whole has to be clearly seen as heading for profit before any is taken.

This means that the company is trading at a profit now and Mr Vaughan said the current year to the end of next September would almost certainly show both a profit and positive cash flow.

Privatised electricity in Ulster proposed

By Maurice Samuelson

A PROPOSAL to authorise private power stations in Northern Ireland is expected to be laid before parliament as an Order in Council next month and could become law as early as June.

Power station unions have voiced fears that it could be a test-bed for privatising electricity throughout the UK. However, this is denied by Northern Ireland officials, who also claim no decision has yet been made about the next stage in expanding the province's electricity capacity.

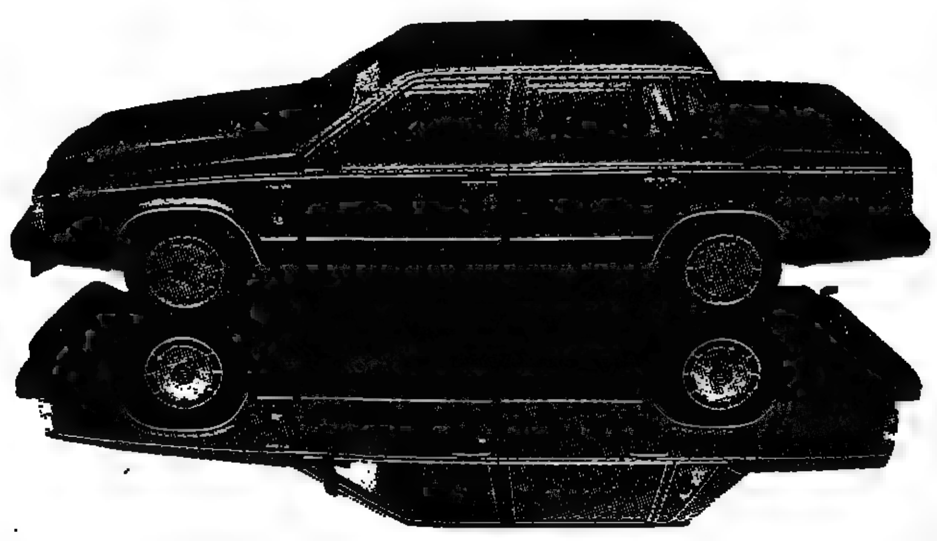
The move comes as Belfast officials study rival plans for a 400 MW power station to generate about a quarter of the provinces electricity from local deposits of lignite, or low calorific coal.

Two private consortia, as well as the publicly-owned Northern Ireland Electricity (NIE), have put in competitive bids to build and operate £500m plant. It would be Northern Ireland's biggest investment project, creating several hundred jobs.

Officials are also considering two other options to cut Northern Ireland's heavy reliance on oil-fired capacity, which gives it the UK's highest electricity costs. They involve increasing the coal burning capacity at the large Kilroot power station, part of which is already being converted from oil; and "importing" electricity from Scotland through a seabed cable like that spanning the English Channel.

These would be cheaper to build than the new lignite power station. However, lignite is now clearly emerging as the preferred option on the assumption that coal prices will rise more steeply over the life of the power station.

The Government is basing its estimate of lignite prices on quotations it has received from British Petroleum's mining subsidiary, which owns the rights to large reserves on the shores of Lough Neagh, Ireland's biggest lake. Meekatharra Minerals, an Australian company, says it can provide even cheaper supplies from Ballymoney in County Antrim, but its calculations are said to be less detailed than BP's.



UK NEWS

British businesses urged to do better in Italy

BY ALAN FRIEDMAN IN MILAN

SIR JAMES CLEMINSON, chairman of the British Overseas Trade Board (BOTB) and former president of the Confederation of British Industry (CBI), yesterday criticised Britain's export performance in Italy.

Speaking before leading members of the British Chamber of Commerce in Milan, Sir James told his rather surprised audience: "I am sure we can do better in Italy."

Sir James, who is on a two-day visit to Milan, also became the first British official to acknowledge that Italy's economy had overtaken that of the UK.

The British embassy in Rome responded to such claims recently with statistics concerning purchasing power in the two countries. While the Italian gross domestic product was 13 per cent lower than that of the UK in 1986 when a comparison was made using purchasing power parities, the BOTB chairman said that using current exchange rates and Organisation of Economic Co-operation and Development (OECD) figures "it is true that in 1986 Italy had a success in nudging ahead of the UK." He said Britain had been ahead in the 1983-85 period.

On the export front, Sir James criticised British companies for not having done as well in Italy as their French and West German counterparts.

He said that Italy was the UK's seventh largest export market in 1986, taking a total of £3.5bn of British goods, but that despite a 12 per cent rise in non-oil exports last year the UK still ran a £1.2bn trade deficit with Italy.

"Our exports represented a mere 5 per cent of Italy's imports compared with a 14 per cent share for France and a 20 per cent share for West Germany. Clearly there is no shortage of opportunities here – the French and Germans seem to be doing very well," declared Sir James.

The most encouraging piece of news which Sir James brought to his otherwise ashen-faced gathering was that today marks the signing in Milan of a collaboration agreement between Boselli Sistemi (a joint venture between Pirelli and IBM Italia) and Transmitton of Leicester (part of the BICC group) for the joint marketing, research and development of energy saving and management systems.

Campaign to encourage more exports by small companies

BY CHARLES BATCHELOR

THE GOVERNMENT is planning a major programme to persuade small companies to export. This follows a survey of overseas sales by small and medium-sized businesses which revealed a huge potential market not yet being exploited.

The survey, commissioned by the British Overseas Trade Board and due to be published later this month, shows that only half of the 12,000 UK companies with turnover between £1m and £10m are currently doing any overseas business.

Only a third of these – 2,000 companies – are described as "active exporters", defined as having a thought-through strategy for exporting and with overseas sales amounting to more than 15 per cent of their total.

If the 4,000 "passive" exporters – who respond to foreign orders but have no strategic plan – could be persuaded to be more active, Britain could increase its exports by £5.2bn a year, the report argues.

Active exporters are characterised by a positive attitude towards customer needs and a realistic approach to problems which defeat other companies, the survey says.

Crucially, companies which are sucessful at exporting have a committed senior management which believes exports are important to company growth. The focus of the proposed campaign will be on persuading more managements that exporting is worthwhile rather than the introduction of any new tangible assistance for exporters.

The BOTB, which helps companies to export with a range of advisory services, believes that the economic climate is particularly favourable. There is strong demand in Western Europe, inflation is low and many economies are expanding.

A survey published last year by the Small Business Research Trust showed that British businessmen perceived the four main obstacles to exporting as: finance and delays in payments; paperwork; lack of market information; and unsuitability of products.

Management, Page 30

Recovery stimulates insurers' long love affair with US

BY NICK BUNKER

There have been few corporate love-affairs as long, as stormy and as infuriating to watch as the 150-year-old romance between Britain's composite insurers and the US. It entered another ambiguous phase last week.

On the face of it, the news was bright. Three of the big five composites – Royal, Commercial Union, and General Accident – rely for between a quarter and a half of their non-life premium income on the US, where the fortunes the property casualty insurance industry are cyclical.

For Royal, the figure is about 46 per cent; for GA, about 40. More to the point, the US has been the source of their biggest losses, with the power to cancel out all their gains elsewhere. By last Wednesday, however, all three had reported colossal recoveries in their annual results for 1986.

It was hardly unexpected in the City. Since the middle of 1984, a strong upturn has been under way in premium rates in North America. It was already two years overdue, by historical standards, after a long and disastrous rate-cutting price-war that led to two years when the industry's underwriting losses topped $20bn.

There were, then, few prizes for forecasting that Royal's global pre-tax figure would be around £304m, that GA would make a record £123m, or that CU would at last achieve something like its respectable $119m, after its losses of £59m in 1985 and £73m the year before.

But there is more to the US insurance industry – and to the composites – than a single cycle of boom and bust. Last week's figures, coming on top of parallel figures from the US industry as a whole, should have helped demonstrate that.

In fact, the three composites are subtly different, for reasons embedded in their history in the US. Last week's results brought out some of the differences clearly. The key distinction between them was in their operating ratios – the standard measure of how profitably and efficiently an insurance underwriter is doing business. The lower the ratio, the better.

At 102, Royal's ratio was by far the best, with GA's about average for the US industry at 107.75. CU's lagged behind at 111. The spread can be explained partly in terms of their mix of business, and their recent history.

As a so-called "agency writer" in the US – selling business via a network of 5,000 independent agents – Royal has long recognised that it cannot compete aggressively in personal classes of insurance business, for homeowners or private motorists.

It would have to fight hard against the so-called "direct writers," US companies with the cost-advantage that comes from cutting out the middle-man and selling direct to the public by mailshots or media advertising.

So 1986 saw Royal firmly entrenched in its traditional stance, with 75 per cent of its US business coming from so-called "commercial" lines – such as packages of cover for industrial companies – where the agent arguably is still the marketing king. That was bound to pay off in 1986 because the great rate increases that started to come through in 1984 were in commercial lines. They have gradually levelled off, with Royal getting rate increases of 18 per cent in the US this January, against 59 per cent on average 12 months before.

US UNDERWRITING LOSSES	
Property/Casualty insurers (industry-wide figures)	$
Private passenger auto liability	6.4bn
General liability	4.2bn
Workers' compensation	4.0bn
Commercial auto liability	1.4bn
Medical malpractice	1.4bn
Homeowners	340m

Source: A. M. Best

According to figures from A. M. Best, the US industry's independent rating agency, the rate increases have cut dramatically underwriting losses in commercial multiple peril insurance. The losses fell from a cool $2.8bn in 1985 to an estimated $133m last year, with an operating ratio of just 97.2.

GA, in fact, is actually playing in a slightly different league. Fifty-five per cent of its US premium income comes from personal lines, especially private motor insurance. Here, A.M. Best's figures show a different picture.

In the US last year, private auto insurance was a mixed bag. Insuring cars against physical damage was highly lucrative, with an actual underwriting profit. Insuring the drivers against legal claims was a business disaster, with total underwriting losses for the industry of $7.8bn. The two partially cancelled each other out, but left motor insurers like GA with an average operating ratio of 108.5.

Not surprisingly, US motor insurers are pressing for rate increases. GA has now applied to state regulators in New York (which made up for 31 per cent of its business in 1985) for a 6 per cent rise.

Where does this leave CU? Mr Tony Brend, its chief executive, was adamant that it wants to be strong in personal lines, such as household insurance. He believes that they are the most stable sources of income, with more rate rises to come. CU last year achieved a mix of business that was about 50-50 personal and commercial, following its widely publicised cutbacks in commercial lines, the source of its deepest woes in the early 1980s. Most dramatically in 1985, it closed its special underwriting group, which underwrote troublesome classes of business, such as general liability insurance.

Claims still arriving on old policies are one factor that helped drag its operating ratio down so far behind Royal's. Another was that the classes of business in which CU cut back were those where some of the biggest rate increases had occurred.

So for the British composites the US scene is complex. Doubly so, because at least three of four big question marks – political, fiscal and economic – still hang over it.

The years of the great US liability insurance crisis were 1985 and 1986. Underwriters forced premium rates up to crippling levels in response to grave losses partly due to high damages awards made by US civil courts. Since then, some state legislatures have gradually passed so-called "tort reform" measures to limit those awards, but their positive benefits for the industry are still uncertain.

Add to that doubts over the impact of federal tax reform enacted in the US last year, which some believe will add significantly to insurers' tax bills.

The biggest questions of all relate to whether US property/casualty insurers have learned lessons from the debacle of the earlier 1980s. Can they manage the cycle more effectively than before so as to avoid another disaster? Is it manageable at all? Such questions should be vital topics on the composites' corporate agenda.

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UK NEWS

James Buxton on how plans to build the world's biggest man-made protein factory went wrong

Shadow over Scottish biotechnology plant

WHEN Damon Biotech, a leading US biotechnology company, announced in mid-1985 that it was to set up a plant at Livingston, near Edinburgh, the news was greeted in Scotland with delighted ministerial speeches and congratulatory press comment.

The plant was to cost $40m £26m and would employ 300. It would be the biggest facility in the world for making monoclonal antibodies, the man-made proteins used by the drug industry. The plant was due to come on stream by the autumn of this year.

It will not now do so. For the past six months the completed shell of the facility at Livingston has been standing idle as Damon carried out a review of the entire project. Now it is renogotiating it with the Scottish Development Agency (SDA) which attracted Damon to Scotland in the first place.

No one is saying when the plant will now come into operation. Although Mr George Mathewson, chief executive of the SDA, does not disagree with suggestions that it could be another two years. The factory will probably begin operating on a much smaller scale than was originally intended and employ fewer people. But Damon betrays no doubt that the project will eventually go ahead.

The well-worn phase "frontiers of technology" applies with a vengeance to monoclonal antibodies. The process of using bio-engineering to produce artificial antibodies which identify and combat invading organisms in the body such as cancer viruses was only invented in 1975 – in Britain.

Damon Biotech, founded in 1981 and based near Boston, Massachusetts, is one of a very small number of companies which have invented processes for breeding monoclonal antibodies on behalf of pharmaceutical companies. It also researches and manufactures biotechnology products of its own.

In 1984–85 Damon concluded that the world monoclonal antibody market was set to take off. Pharmaceutical companies, it believed, would soon secure approval from the regulatory authorities in the US and Britain to market the products being produced by companies such as Damon. It was time to prepare for a dramatic scaling up of production.

Damon chose to locate a plant in Scotland, not least because of its lower operating costs, financial incentives and the fact that Britain's rules on the export of medicines are more favourable than those of the US.

Yet from the start the Livingston project was extraordinarily ambitious, even by the standards of biotechnology. The plant would cover 70,000 square feet – compared with Damon's existing facility of just 9,000 square feet. The $40m cost was enormous for a company whose revenue from products only reached $2.3m in the year to August 1986.

Mr George Mathewson: Two-year delay possible

Furthermore, Damon says now that when it embarked on the project it did not know what products it would be making at Livingston, this depended largely on its clients and what they obtained approval for. However, the company also had high hopes for one of its own products, a monoclonal antibody designed to treat lymphoma – tumours of the lymph glands.

The SDA was convinced of Damon's potential. It agreed to build the plant for Damon at a cost of 3m, arranged government grants and participated along with a group of venture capital companies led by Advent in taking stakes in Damon's UK subsidiary, Damon Biotech Ltd. The investors would own the equipment used in the plant and lease it to Damon. Damon, which has never made a profit and lost a total of $18m in the fiscal years 1985 and 1986, only had to contribute 3m of its own funds to the project.

However, things soon went wrong. The market for monoclonal antibodies developed much more slowly than had been expected, partly because of the unexpectedly long time it has taken to get approval for products from the US Food and Drug Administration (FDA). Output of monoclonal antibodies last year is thought to have been about 15kg. Damon's plant was designed to produce between 30 and 50kg a year. Damon's lymph tumour product ran into problems in clinical trials.

The equity investors in the project became dissatisfied with Damon's management and pressed for changes. Last year Dr Nigel Webb, said to be better at business development than day-to-day administration, gave up the presidency of the UK subsidiary. He was replaced by Dr Robert Schneider, who one investor described last week as "a very competent manager." Dr Schneider had earlier replaced Dr Webb at the head of the parent company.

Yet even as late as last September Damon was saying that the project was on schedule. In fact, by then the project was stalled. One of the venture capital investors says: "We thought it prudent to hold off on spending money on the plant. But we are not pulling the rug out from under them."

The Damon project had its sceptics even when it was launched. Mr Gerard Fairtlough, chief executive of Celltech, Britain's leading monoclonal antibodies producer, expressed his doubts about the size of the Damon project when it was announced, as well as resentment at the government assistance for a foreign rival.

Since then, however, he appears to have worried less as Celltech has acquired a relatively large share of the multiclonal antibodies market – a share which he believes is considerably greater than that of Damon.

The SDA, extremely conscious of echoes of the De Lorean sports car fiasco in Northern Ireland, says that it decided to go ahead with Damon because even the "most pessimistic" of the market forecasts made by the consultants it hired to evaluate it confirmed its validity. However, senior executives of the SDA are known to think that the project was "oversold" in the first place. So far, however, the SDA has only disbursed £3m – the cost of building the plant.

Now Damon, the SDA and the venture capital investors are discussing the various alternatives for the future of the project. Damon has already redesigned the interior of the plant on a "modular" basis, which would allow parts of it to come on stream before others, and says its processes are now more productive. It believes that its market position is strong

Damon says it has been successful in developing its own tissue plasminogen activator product, designed to thin blood clots in heart attack patients. It recently won a $8.5m contract to develop and sell the product to a Japanese drug company over the next two to three years, and says that if this product wins approval from the US Food and Drugs Administration and Britain's Council for the Safety of Medicines, it would be logical to make it at Livingston. Although the market for it is currently afflicted by lawsuits over patents, it says it expects no problems of this sort.

However, Damon is still vague about what it will a ctually be making in its Scottish plant and when. The SDA says: "We are at a very early stage." Before it makes any further commitment it wants to be certain that Damon's contracts have the potential to be developed and produced in Scotland. "We want a more soundly based project than we have got at the moment," it says.

BUILDING CONTRACTS

Wates to build £14m offices and superstore

PRIVATE SECTOR orders worth over £14m have been secured by WATES CONSTRUCTION (LONDON).

At 2-5 Minories in the City of London a management contract valued at £3.1m has been placed to build 24,500 sq feet of offices above a restaurant/wine bar and shop unit for Mount Row (City and Mayfair), a subsidiary of Mount Row Properties.

Management House, Parker Street, Holborn, is to be renovated for London & Paris Management under a £5m contract. New cladding to this 14-storey hexagonal block will be granite and curtain walling.

In Kings Road, Chelsea, Wates is constructing a supermarket, two shops, an office block and underground car park for Property Holding & Investment Trust. The £4m contract includes demolition and excavation to form a basement car park. The new buildings will have an entrance lobby to the supermarket between two shops fronting Kings Road. The tenant for the supermarket will be Gateway Foodmarkets.

At Ponders End, Enfield, Middx., the company has a design and build contract for a 42,000 sq ft Tesco superstore. This air-conditioned building is to be fitted out, and car parks, service yards and other minor works are included in the £4.7m contract.

£12m for Wiltshier

WILTSHIER has won building contracts worth more than £12m. Largest of the batch is a £2.4m high technology office development for Salamander Estates in Harefield, Middlesex, which after a "tight" programme will be finished by next January. This is closely followed by the £2.3m refurbishment of a computer suite for British Gas at Tower Point in Enfield. Work is due for completion, following a two-year programme, by January 1988. An instruction has also been received to build a leisure centre at Chesham, for Chiltern District Council. The £1.8m contract is due to start on site in April. At Lee International Film Studios in Shepperton, Middlesex, the company is building a two-storey studio and office block, in addition to a workshop for £1.8m.

Work is underway on a £1m two-storey office building for Finlinson Properties at Charter Court in Hemel Hempstead. Other projects include two contracts at The Maltings in St Albans for Chequer St Developments and an office building in Potters Bar for Locktons Development.

Superstore and sports complex

A superstore and sports complex design and build project which started out at £4m a year ago will have increased to £7.7m when WILLETT completes it in April. Part way through the project store owners Tesco acquired extra land on the 10-acre site at Beverley Way, New Malden, Surrey, to double the planned size to 90,000 sq ft. More than 66,000 sq ft of the single and two-storey structure will be sales space. Willett was then awarded a second phase contract by Tesco, worth more than £2.1m, to fit out the store and an adjoining eight-pump petrol station. The scheme is part of a development by Trafalgar Brookmount and includes an 860-space car park and covered walkway approach road, emergency access and a badminton hall and playing fields just across the A3 from the store.

Extending Job's Dairy

J. M. JONES & SONS has won a £1.83m contract from Job's Dairy to build an office block and warehouse extension for Job's Fast Foods Distribution at its existing site at Wraysbury Mill, Berkshire. Phase I of the 63-week contract entails construction of a two-storey office building incorporating a vehicle maintenance bay. Phase II involves extensions to the deep freeze and dry goods warehouses, together with phased demolition of the buildings in the centre of the site and those on the boundary along Coppermill Road. The office will consist of a reinforced insitu concrete frame with brick cladding up to first floor level with metal cladding above.

Ciba-Geigy orders for A. Monk

A contract valued at £2.88m has been placed with A. MONK for construction of a quality assurance and development centre for Ciba-Geigy of Duxford. This will comprise a two-storey office and laboratory building of about 3,200 sq metres steel frame, concrete upper floor and metal deck roofs and external wall cladding. Other awards include a contract valued at £2.5m for the construction of a 4.1 km of single carriageway on the A472 at Hafodrynys, near Crumlin.

Housing orders for Wimpey

WIMPEY CONSTRUCTION UK has been awarded four housing contracts worth more than £3.2m. Under a contract for the Woodspring District Council, the company will carry out the internal and external refurbishment of 77 houses in Coniston Crescent, Weston-super-Mare. The contract, worth £993,283, is due for completion in December and includes improvements to gardens and boundaries.

The second contract has been awarded by Cardiff East Home Owners' Association and is for the structural refurbishment of 90 Unity & Airey PRC houses in Honiton Road, Llanrumney, Cardiff. Due for completion in June, the £429,728 contract also includes minor internal works.

Awarded by the Devon & Cornwall Housing Association is a contract for the construction of 25 sheltered housing units in Barbican Road, Plymouth. Costing £620,642, the development will comprise four two-bedroom, three-person houses; two one-bedroom, two-person bungalows; 20 one-bedroom, two-person flats. Due for completion in February 1988, construction will be on traditional strip foundations, brick walls, insitu ground floor slab, with suspended beam and pot floors.

Cheltenham Borough Council has awarded Wimpey a £1.18m contract for four linked blocks of elderly persons flats on the Belmont Road development, Cheltenham, Gloucester. Comprising a total of 36 units, construction will entail external cavity walls with rendered finish, composite concrete upper floors, on piled foundations with a pitched timber and slated roof. Due for completion in December, site works and services include parking areas, footpaths, new walls fencing and drainage.

Leisure pools at Butlins

BARR & WRAY, Glasgow, has £3.25m contracts to supply two leisure pools for Butlins, where Tarmac Construction is management contractor for the project. The pools will incorporate ozone water treatment plant, wave-making machines and many water features for leisure pools for Butlin's Holiday Worlds—one to be located at Bognor Regis and the other at Skegness, scheduled for commissioning for the 1987 season. Central to each new waterworld project will be the inclusion of wave machines, bubbling whirlpools, white water rapids, water cannons, cascading jets and monsoons.

Roadworks in Swansea Valley

SHEPHARD, HILL has won £5.7m orders. A contract worth £4.59m is for the Glais to Pontardawe section of West Glamorgan's new A4067 Swansea Valley route. Due to open to traffic in August 1988, the 3.8 km of flexible carriageway will run east of the existing road crossing the River Tawe at Ynysymond and Pontardawe. It will include eight bridges. Reclamation of a derelict colliery and a disused clay pit at Bedworth, Warwickshire, for the Nuneaton and Bedworth Borough Council, is worth £853,000. Shephard, Hill will reshape more than 200,000 cu metres of colliery spoil, clay and toxic waste to make 5.7 ha of land available for housing and recreation by the autumn. The company has begun remedial works to stabilise an embankment alongside the A616 trunk road at Deepcar, South Yorkshire. As agent for the Department of Transport, the City of Sheffield has awarded a £271,900 contract to construct a bored pile retaining wall 63 metres long incorporating rock anchor piles to prevent any recurrence of recent landslips.

Industrial units at Rochester

ISIS CONSTRUCTION, contracting arm of the Isis Group, Swindon, has orders totalling £6m. At £2.5m, the largest is in the south-east, to build four industrial units in Rochester for London & Edinburgh Trust. The site was previously used for cement waste. In East Grinstead, Isis is building offices for Beacontree Estates (£500,000). Leisure contracts in the south-west are valued at £1.3m for the construction of holiday homes and amenity complex facilities for two hotels. Two six-month contracts for repairs and maintenance to RAF stations in the Oxfordshire and Berkshire areas top £1.7m.

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BOVIS CONSTRUCTION has been awarded a contract worth over £2.5m to build offices in Thame, Oxfordshire, for Counter Products Marketing. The project involves demolition of a building on a site purchased by CPM and construction of a three-storey 28,000 sq ft office block including provision of all services. Additionally, a separate 22,000 sq ft warehousing building, with service yard and car parking area is planned as part of landscaping at the rear of the main office block.

THE ARTS

London Galleries/William Packer

New faces to hang for posterity

With its latest exhibition, *New Faces at the Gallery*, the National Portrait Gallery puts on show (until June 7) a number of recent commissions and additions to its collection of 20th Century portraits. Special exhibitions may serve to attract particular attention to one aspect or another of the Gallery's work — variously historical, biographical and art-historical: but all the while the magpie business must go on of picking up the *images* and visual record of the great, good, and incidentally interesting of our time.

Quality as high art does not always come into it, as there are times when the Gallery must simply take what it can or have nothing at all of a wanted subject. Such virtue of necessity, of course, is what gives the collection its wonderfully miscellaneous and uneven quality and *quirky* charm. The unpretentious but effective rubs shoulders with the pompous and overblown — the great man is served by a merely modest or even doubtful talent while the great artist looks upon the marginal celebrity.

To say this is not to make a perverse fetish of the inadequate and second-rate, but to recognise that in a collection like this such work rightly has its place and should be accepted and enjoyed for what it is. It is the great art that is the bonus here, which takes us unawares in the most surprising places.

The most encouraging development in the policies of the Gallery in recent years has been the commissioning not only of *soi-disant* portrait painters, as it were with their brass plates upon their doors, but *of distinguished artists* in the wider sense. The gamble does not always pay off but it is always worth taking. Thus Tom Phillips has painted the portrait of Iris Murdoch and produced a mass of work into the bargain — *indeed the huge* ancillary portrait drawings are the more exciting and arresting, for Phillips is rather more dutiful than intuitive a painter of portraits and the drawings here are the more *uninhibited*.

Besides Phillips there is David Tindle who has painted Dirk Bogarde in two versions, sitting quietly in a characteristic Tindelian interior, and again *the drawings for the work* are shown alongside. Ron Kitaj's subject is Sir Ernst Gombrich, of whom he has made a large and forceful pastel drawing. So much for the commissions as such, but in the same context it is good to discover among the judicious purchases such things as Allen Jones's strange study of Roger Daltrey—the skull beneath the skin—and a fine strong late 1900s head of *Arnold Wesker painted* by Joseph Herman. A number of excellent self-portraits, too, make the same point: Allen Jones again but as the young pop-artist, circa 1959; a most delicate drawing by Barbara Hepworth; Mervyn Peake (of whose current show at the Royal Festival Hall I wrote at length in this page) as a self-dramatising young man; and Anna Zinkeisen in a striking romantic period piece of the 1940s. She shows us very well that fine things are not necessarily the *sole gift* of artists of the first rank.

There are many more good, fascinating and manifestly strange things: a boggle-eyed

Anna Zinkeisen: Self-portrait

Sir Osbert Sitwell of 1918 by Nina Hamnett; Sir Basil Liddell Hart in a surreal premonition of war by Hein Heckroth; and *a most glamorous and atmospheric* confection by Ambrose McEvoy, still a most underrated artist, of the Edwardian actress, Lillah McCarthy. There is also a mass of photographs by various photographers, and a wall of Mark Boxer's deceptively slight, mildly barbed and mischievous caricatures *of* current luminaries: Lords Annan, Longford and Snowdon, Tony Benn and Auberon Waugh, Bernard Levin and Prince Charles, and ever on.

★

It is a nice immortality to achieve a niche, however small, in the national pantheon upon the chance of catching the cartoonist's eye—or rather the editor's eye and the cartoonist's brief. *Boxer is only the latest* in a long line in British art-cum-journalism, in which one of his more distinguished predecessors was Max Beerbohm. By happy chance a substantial body of Beerbohm's cartoons and caricatures, early and late, now fills the Piccadilly Gallery in Cork Street (until March 21).

Beerbohm was a wit and writer first and last, his graphic work only incidental to his primary activity. But as is often the way with such literary figures, a certain indulgence is permissible where interest is inevitable in even the most marginal material. Drawing *was evidently important* to Beerbohm and he possessed an evident if minor talent that could well have been developed much further. Certainly the odd sheet of studies and fugitive portrait notes and some of the later *images*, show off a quick and bold hand and a keen eye.

William Heath Robinson, whose peculiar fame has taken him beyond a mere portrait in the *National Portrait Gallery* to fix his name for ever in the language, was perhaps only a cartoonist, but he was also a true and fine artist and as a comic artist, incomparable. His tragedy is that being so richly various and funny in his materials our enjoyment of his jokes takes all attention away from the actual quality of his work as art. His work now fills the Chris Beetles Gallery in Ryder Street, St James's, from floor to ceiling (until March 27), and I would warn any prospective visitor to take it very slowly, laugh a lot, look again very closely, laugh again, and set aside the afternoon.

Gluck in Milan and Genoa

Max Loppert

The 200th anniversary of Gluck's death falls this year. In most European cities where opera is performed — apart, alas, from those in Britain — the date is being marked with due seriousness. *Orfeo* is cropping up all over the place; but the chance to re-examine some of the more neglected masterpieces is also being taken (the forthcoming Stockholm *Paride ed Elena* and Mackerras-conducted *Iphigénie en Aulide* in Vienna are two especially enticing prospects).

As often happens, the big Italian houses are well advanced in the business of celebrating the Gluck centenary. Last week, in rapid succession, I attended two performances of *Alceste*—the first at the Teatro Margherita, Genoa, the second at La Scala on the opening night of a new production under Riccardo Muti (his second in his inaugural season as Milan musical director).

What made this an extraordinary occurrence is that both companies chose to perform the original version (1767) of the work—the second of the three so-called "Reform" operas that Gluck and his librettist Calzabigi produced for Vienna. In recent years the Vienna *Alceste* has hardly been heard of, while the *Alceste* that Gluck reworked for Paris nine years later has been widely revived. The two are, of course, distinct and very different operas in *spite of their shared musical* material and Euripides-descended plot. Catching the double return of the Vienna *Alceste* was an opportunity not to be missed.

If the French-language *Alceste* has been the regular choice of opera companies in the last decade, the reason is easily deduced: of the two *Alcestes* it is far the less resistant to satisfactory modern staging. The structural vastness of the Viennese original, its profusion of subsidiary personages with much to sing but little to do, and its slow pulse of recitative (much of it un*accompanied*) *have* been accounted hindrances—and, in a sense, the composer himself must have considered them so, since he largely removed them for Paris.

In the light of the Genoa and Milan experience, the common view needs both confirmation and modification. In Genoa the Italian-language *Alceste* did seem, for all its Reformist purity, and neo-Classical loftiness of vision, its fabled "bella simplicità" of sound, an impossibly heavy, slow-moving work—but then, the production was monumentally unhelpful, and the musical reading largely bereft of stylistic understanding. By contrast, Muti's Milan performance brought to the fore all the conductor's most admirable theatrical qualities—unswerving devotion and energy expended on a task passionately believed in; an ability to translate that belief into live theatre. Muti's *Alceste* was a triumph all the more glorious for being achieved against powerful odds.

In a newspaper interview, the conductor borrowed a phrase *of the sculptor* Canova's—"estrarre la carne dal marmo," extracting the meat from the marble—to underline the principal point of his labours. He indicated that particular pains had been taken in rehearsal to focus greatest illumination upon Calzabigi's word; and, indeed, he unfolded the music with a clarity of line, timbre, and balance that inspired the highest kind of singers' intel*ligibility*. The spaciousness of the choruses (with all their many internal repeats—the long score was given with only one tiny cut), the emotional intensity that a single woodwind voice can add to the drama, the dramatic pacing of recitative: these were some of the remarkable features of Muti's Gluck, and there were countless others.

My own convictions about the greater effectiveness in the first two acts of the Paris *Alceste*, apparently supported in Genoa, were here submitted to the most rigorous form of contradiction. In a theatre of Scala size, "*period musical style* is not really a feasible goal, and often Muti's taste for massives, luxuriant sound-piles proclaimed his distance from the modren Early Music movement. But it is a personally committed kind of Gluck conducting that he offers, and that is always the most truthful, authentic kind. In collaboration with the production and designs of Pier Luigi Pizzi—tasteful combinations of "architectural" grouping, lighting, and 18th century costume set against a white neo-Classocial rotunda with mobile segments—the music became, as surely Gluck intended it should, the vehicle for an overwhelming vision of human grief, heartbreak, and courage.

Rosalind Plowright in the title role (even longer and more exacting than the Paris *Alcestis*) *did not please* a section of the Scala gallery: passing difficulties with top notes may have accounted for, though they could not justify, the boorishness. I have never admired her so much. Words were clear (as never before), line was smooth, timbre was beautiful, the presence was noble yet fraught with tender frailties; in the long closing sequences of Act 2 (which Genoa had crudely truncated), she rose to great heights. Anne Sofie von Otter and the young Italian tenor Willaim Matteuzzi as the royal confidants were no less distinguished; Giuseppe Morino (Admetus) was promising, a touch unformed, and the other main roles were slightly—but not seriously—undercast. The Scala chorus excelled itself in the mourning plaints and offstage echo-effects of Act 3.

In Genoa, the hideous grey modern-abstract sets (requiring noisy electrical operation) and costumes of the leading Italian artist Arnaldo Pomodoro plunged the opera into a no-man's-land of dramatic style—and there, above all because the conducting of Daniel Oren was so clearly unacquainted with the requirements of Gluck articulation, it floundered without rescue. A pity: in amidst the *welter of nonsenses* there was some impressive singing from Ernesto Palacio (even more elegant that Scala's Matteuzzi) and the Glyndebourne Rossini baritone Alessandro Corbelli (High Priest); in the title role Silvia Mosca disclosed a dark, evenly produced soprano—with more confident guidance she could blossom into a useful performer.

In their opposite ways the Genoa and Milan shows proved a single point. Gluck remains the least "performer-proof" of the great opera creators, and the Vienna *Alceste* is the least susceptible to careless, uncomprehending revival of his mature operas.

Ferneyhough/Purcell Room

Paul Driver

The Grosvenor Chamber Group—a young and evidently talented ensemble which previously given most of its concerts in St James's Piccadilly—appeared in a special early afternoon slot at the Purcell Room on Saturday with an extremely enterprising programme in which the composer Brian Ferneyhough gave a lengthy illustrated disquisition in his piece *Funérailles* prior to a performance of the two "versions" of the work skilfully conducted by guest conductor Gabe Wiersma. Between the versions were illuminatingly interpolated Purcell's *String Fantazia* (*sic*) in an arrangement by William Mival variously using four or more of the seven available string players. Finally—after string pieces and modern—came one of romantic efflorescence Schoenberg's *Verklärte Nacht* inscribed with the reflexive process.

Nevertheless, the tone is prevailingly sombre, formal and strained, and no-one is likely to mistake this musical ritual for maypole-dancing. Ferneyhough's comments about it were revealing and apt, and one of his best characterisations referred to the two "perspectival standpoints" the listener is invited to adopt—on the one hand, perception of a vast quantity of "microcosmic detail" and, on the other, of a basically monolithic, slow-moving, processional piece. We must constantly "scan between" these two levels.

Like Ferneyhough's other pieces, *Funérailles* is almost impossibly subtle, but helped by the composer's glosses, one could follow some of its techniques. His intention to create a "resonance body" by balancing a string trio and an echoing string quartet, with a harp set between them, seemed fruitful. *His various methods for the ex*tension, quotation, "amplification," distortion and even ingestion of material, once demonstrated, could be profitably borne in mind during the performances; certainly there was a clear sense of hearing something the same but different. The poetry of the music was palpable above all, and, in the harp solo of the second version, for a few moments conventional and beguiling. The piece has been quite often performed now, and wears well: in this impressive (carefully rehearsed) account it sounded intense without being knife-grindingly so, though that may not be all of a good thing.

Funérailles was composed between 1977 and 1980. Having written the first stretch of music, the composer decided to rewrite it using almost the same pitches but reinterpreting their gestic significance, and expanding the material as he did so. This process Ferneyhough saw as a kind of self-imposed alienation such as one experiences, he said, when taking part in rituals or ceremonies of one or another sort: the body's movements are dictated by the ritual (*as, for instance*, in a simple prayer-meeting, or in hymn-singing) and the mind observes what seems like another body. Thus, with the composition of these versions, Ferneyhough was able to look at himself in the act of composing, and make a piece which would be

Music Projects/Almeida

Andrew Clements

The second of Music Projects/London's Almeida concerts in its current "New Images of Sound" season was also the second devoted to the string orchestra. In an era when the standard chamber-orchestra complement for any commission is to have one of everything, the repertory for strings alone tends to get neglected. In these two programmes Richard Bernas and his players have *amply demonstrated that* such an area of the literature is well worth exploring, and that the stylistic range of works available is vast — from Pärt and Adams in the first, to Xenakis and Scelsi in the second.

Between Xenakis's *Aroura* and Roger Tessier's *Isomérie* (receiving its British premiere) there was a definite kinship in the sound resources explored, though not in the ends to which they were put. The Xenakis work is less monolithic than many of his scores: its direction is less single-minded; the music finds time to develop textural asides and to pause for breath. *Isomérie* divides the 15 strings into three incongruent groups, though they share common features and common material which is overlapped and dissected in a pleasantly patterned way. Much of the writing is powerfully effective, *though the piece may be frac*tionally too long.

Scelsi's *Natura Renovatur* likewise overstretched its material, though not as painfully as in many of the composer's more recent pieces.

Performances were splendidly controlled, appropriately assertive. The account of Webern's Five Pieces Op. 5 was less convincing, in a version which mediated between the original quartet scoring and the later arrangement for string orchestra. With such a small body of strings there is a danger of getting the worst of both worlds rather than the best, of losing the expressivity of single lines and not gaining the tonal density and dynamic contrast from a bigger band.

Pirandello double bill/Man in the Moon

Michael Coveney

The Man in the Moon pub theatre in the Kings Road is presenting two intriguing early plays of Pirandello as an aperitif to the National's *Six Characters* this month. Audiences (and careless critics) must beware the programme note: both *Sicilian Limes* (1910) and *Cece* (1920) pre-date *Six Characters* (1921)—they do not flank it, as is suggested.

In *Sicilian Limes* a village accordionist arrives in a big northern city to claim his childhood sweetheart; his financial sacrifice has enabled her to train as an opera singer but, with a first night humming in the background, she spurns him and his talismanic memento of green limes. The girl has been corrupted by big city success and an attendant aunt acknowledges the boy's *superior moral worth*.

Cece, shorter and slighter, reveals the womaniser of the title in a tight spot over some debts. He forestalls an angry lover by placing a one-eyed *business associate of his father* between himself and the girl. A conclusion is snappily achieved at the expense of the innocent party.

Neither piece presages the famous Life and Form tensions of the works that heralded the modern drama in the 1920s. But they are agile plays, evidence of Pirandello's unstudied dramatic instincts and, like most of his early prose (both *plays* he adapted from short stories), they draw heavily on incidents from his own life. Micuccio in *Sicilian Limes has many echoes* of the young writer in transit from Agrigento to Rome, just as Cece incorporates the brief experience of Pirandello's business career in the family sulphur mine.

Vanessa Fielding's translations and production for the Omerta Theatre Company leave much to be desired, with an awkward leading performance in each play and a lack of overall rhythm or pace. Ursula Mohan is the movingly apprehensive aunt in the first play, Terence Edmond a technically efficient and funny dupe in the second. Otherwise this tiny acting space *is over-provided* with bluff and bluster.

Dresden Staatskapelle/Festival Hall

Richard Fairman

The publicity photograph of the Dresden Staatskapelle shows the orchestra in an elegant hall with Doric columns on its flanks and a massive classical tableau to the rear: a setting that gives a magnificent visual presence to the centuries of tradition and expertise that *have accumulated to make this* one of the world's great orchestras.

The Olympian virtues of that classical tradition are to be heard in their every bar. In *the Festival Hall acoustic* the Dresden sound is not as warmly romantic as Berlin, not as glossy as Philadelphia, not as beefy as Chicago. Rather, it is founded upon a discipline in each section of the orchestra which gives due weight and accent to each phrase in preference to creating merely beautiful sounds.

The orchestra's golden heritage lies in its strings. The simple violin line at the end of the slow movement in Mozart's Symphony No. 40 might well have been one instrument alone, so well-matched was the quality of tone, so exact the ensemble. This exemplary precision, ensuring that no instrumental entry could be covered, brought a *clarity to the part-writing in the* instrumental finale that many people might declare impossible on anything but original instruments.

It is unlikely that any other *orchestra could have made such* a positive impression under the staid leadership of their principal conductor, Hans Vonk. For this was unemotive Mozart, correct and formal, rhythmically pointed but with no drama or urgency. The determined avoidance of showmanship might have led one to expect their account of Strauss's *Ein Heldenleben* to fall short of the heroic, but in the event there could be few complaints about a performance that was at once vigorous and boldly executed.

Vonk is not a Karajan in the patient building of large-scale musical structures. The small crop of noisy climaxes that cluster around the point of recapitulation failed to make clear where the true high point of the music lies. But in the ardour of the hero's personality, the graphic display of his battles and achievements which can tempt some conductors into vulgarity, *the score was in safe* and reliable hands.

The soloist in Liszt's First Piano Concerto was Garrick Ohlsson, an appropriately strong and proficient interpreter. The sound of his Bosendorfer piano, dry and aristocratic, noticeably less luscious in tone than the usual instrument at this hall, mirrored the sound image of this very special orchestra to telling effect.

Whitechapel Gallery exhibitions

The Whitechapel annual open exhibition runs from March 20 to April 26 with works in a wide range of media from over 100 artists living or working in East London: selections will be made by Nicholas Serota *and Jenni* Lomax. From May 8 Boyd Webb's work using photography as his medium to create images *of* man in relation to nature and *the universe*—will be on show.

From July 3 to September 6 the gallery houses a comprehensive exhibition of Jacop Epstein's work, previously at the *Leeds City Art Gallery*, who are joint organisers.

"Follies" for the West End

Follies, with music and lyrics by Stephen Sondheim, will open at the Shaftesbury Theatre on July 21. Originally produced on Broadway in 1971, this production by Cameron Mackintosh, directed by Mike Ockrent, will *star Diana Rigg*, Julia McKenzie and Daniel Massey.

Saleroom/Susan Moore

Cameo vase soars

English cameo glass is more to people's taste than might be imagined. At a Sotheby's decorative arts sale in New York on Saturday a two-colour cameo vase by Thomas Webb & Sons decorated by George Woodall around 1880 soared to \$60,500 or £38,291 (estimate \$10-15,000). *The vase's brown body, over*laid in white, is finely carved with abundant floral festoons and cherubs, its C-scroll handles (cracked) carrying further carving of acanthus leaves. It was bought by a Florida dealer.

High prices were also achieved for a Bugatti bronze horse, which went to an English dealer for £34,810, and an unusual purple and ochre pâte-de-verre vase by G. Argy Rousseau, of around 1924, decorated with a female Egyptian slave carrying a water jug (£21.582). A superbly wrought silver Wiener Werkstätte box in the shape of a melon, designed by Dagobert Peche in 1920, made just over its estimate, £25.063.

While two Tiffany glass windows sold well, going for £25.779 and £34,114, one of the most outstanding items on offer, an elaborate Tiffany silver and ebony punch bowl in the Viking style changed hands at a disappointing \$22,000. It is a simpler version of one exhibited by Tiffany at the World's Columbian Exposition in Chicago in 1893 and now in the Metropolitan.

Of the wide range of Art Deco dancing girls on offer, the top price of \$24,200 was bid for a spirited acrobat in ballooning shorts leaping over curling flames while carrying amber torches. The sum achieved for this polychromed bronze and ivory figure was nevertheless *well below the* estimate.

Scandinavian bidders dominated the morning session of Christie's sale of Japanese works of art yesterday. The top price of £27,500, twice the estimate, was paid by a private Swedish collector for a pair of six-leaf gold-ground screens of the late 17th or early 18th century depicting scenes from the 900-year-old Tale of Genji, *one of the earliest pieces of* romantic literature in the world. It was a good price for a piece slightly damaged and retouched; similar figures have recently been obtained in New York for screens in better condition. The same collector also secured at £4,400 a two-leaf 19th-century screen with geese and bush clover on sprinkled gold ground.

The market decided that four *paintings attributed to Hokusai* were indeed by the master. Three were acquired by an anonymous purchaser and one went to a Scandinavian dealer; the most splendid, of a large fish, possibly a sea bass, with a spring of bamboo, went for £8,800. Fourteen per cent of the session went unsold.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. *Exhibitions/Thursday. A selective guide to* all the Arts appears each Friday.

March 6–12

Opera and Ballet

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Turandot conducted by James Levine in Franco Zeffirelli's production with Eva Marton, Placido Domingo and John Macurdy, joining the repertory of Boris Godounov conducted by James Conlon in August Everding's production with Stefka Mineva, Martti Talvela, Paul Plishka and Sergei Koptchak; Carmen conducted by James Levine in Sir Peter Hall's production with Agnes Baltsa, Gabriela Benackova and Samuel Ramey; and Manon conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. Lincoln Center (362 6000).

VIENNA

Staatsoper (51444/2655): Idomeneo conducted by Harnoncourt with Ziegler, Schreier, Hollweg; Andrea Chenier conducted by Klobucar with Slania, Zampieri, Yachmi; La Bohème conducted by Mund with Miricioiu, Wise, Dvorsky, Hornik; Cosi fan tutte conducted by Fischer with Popp, Soffel.

Volksoper (51444/2657) Ein Walzertraum; Das Land des Lächelns; Der Bettelstudent; Hoffmann's Erzählungen.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Der Rosenkavalier by Richard Strauss directed by John Cox. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Rachel Yakar, John Tomlinson, Susan Quittmeyer and Derek Hammond Stroud (Tue, Thur). (255455).

Groningen, Schouwburg. The Nederlands Dans Theater with Frankenstein (Kylian/Gruber), Wiegelied (Kylian/Berg) and Uccelli (Duato/Respighi) (Tue). (125645).

WEST GERMANY

Berlin, Deutsche Oper: La Bohème has Raina Kabaivanska in the title role. Der fliegende Holländer features Kaja Borris, Carmen Reppel, Bengt Rundgren and Gerd Brenneis. Aida, sung in Italian, has Ste*fania Toczyska, Viktor von* Halem and Giorgio Lamberti. Katja Kabanowa returns with Karen Armstrong, Ruthild Engert, Patricia Johnson and Stephen Algie. (34381).

Hamburg, Staatsoper: Elektra has a particularly strong cast with Christa Ludwig, Gwyneth Jones, Johanna Meier, Gunter Neumann and Hans Sotin. La Traviata has Julia Varady in the title role. Le Nozze di Figaro rounds off the week. (351151).

Frankfurt, Opera: La Bohème has Alida Ferrarini as Mimi and Alberto Cupido as Rodolfo. Le Nozze di Figaro will be conducted by Peter Hirsch. Götterdämmerung will have its premiere this week, produced by Ruth Berghaus. The cast is led by Catarina Ligendza, William Cochran, Barry *Mora, June Card, Man*fred Schenk and Adalberg Weller. Also Der Zigeunerbaron. (25621).

Cologne, Opera: Der Barbier von Sevilla has fine interpretations by Deon van der Walt, Carlos Feller, Janice Hall and Ludwig Baumann. (20761).

Munich, Bayerische Staatsoper: Der Barbier von Baghdad is an Otto Schenk production. Daphne has Marjana Lipovsek, Julia Conwell, Kurt Moll and Alejandro Ramirez. (21851).

ITALY

Rome: Teatro dell'Opera: Macbeth, with Renato Bruson in the title role and Shirley Verreti as Lady Macbath. Giuseppe Patane conducts and *Giorgio Pressburger is the director*. (46.17.55).

Turin: Teatro Regio: Aida, conducted by Nello Santi and directed by Gianfranco de Bosio, with Maria Chiara, Fiorenza Cossotto and Veriano Lucchetti; Teatro Regio Ballet Company in works by Balanchine and Jean Luc Legnay. (548.000).

Trieste: Teatro Communale Giuseppe Verdi: La Fiamma, a three-act opera by Claudio Guastalla to Respighi conducted by Maurizio Arena and directed by Carlo Maestrini. (631948).

SPAIN

Madrid, Orfeo ed Euridice with Stefania Toczyska, Judith Blegen, Paloma Perez-Inigo, a co-production with Monte Carlo opera, conductor Antoni Ros Marba, costumes by Marc Bohan, Teatro de la Zarzuela, Jovellanos 4.

Barcelona, Rigoletto with Leo Nucci, Adriana Anelli, Alfredo Kraus and Alfredo Zanazzo. *Gran Teatre del* Liceu, Sant Pau 1.

LONDON

Royal Opera, Covent Garden: Colin Davis returns to the company of *which he was until recently music* director, to conduct the revival of Jean-Louis Martihoty's distressingly chi-chi over-busy Ariadne auf Naxos production. Newcomers include Anna Tomowa-Sintov, Edita Gruberova, and William Johns; Ann Murray returns as the composer. Last performance of the Norma, another distressing production, with Margaret Price not quite up to the *formidable* title role and John Pritchard an eloquent, sympathetic conductor. (240 1066).

English National Opera, Coliseum: Tosca, in the updating to late-Fascist wartime Italy, is perhaps the least successful of Jonathan Miller's ENO productions. Phyllis Cannan takes over the title role and Albert Rosen conducts. Further performances of another and much jollier Miller updating, the non-Japanese Mikado, and of Philip Glass's "minimal" opera Akhnaten; final current showing of Faust in the company's sparkly, theatrically zestful production by Ian Judge, with Helen Field, Arthur Davies and Ulrik Cold. (836 3161).

PARIS

L'Elisir d'Amore alternates with Prokofiev's Cinderella produced and choreographed by *Rudolf Nureyev* who transposes the story into the world of Hollywood with the two ugly sisters wanting to become film actresses while the leading actor pays attention only to the modest girl he turns into a star. Paris Opera (42665022).

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action against a background of fortifications, and towers which evoke the feeling of danger, thus *making Elvira's folly credible*. Opéra Comique (42960611)

Don Giovanni conducted by Sylvain Cambreling in Brussels National Opera production with Jose van Dam, Ashley Putnam and Stuart Burrows. TMP-Châtelét. (423 3000).

Ballet Moisseiev *celebrates its 50th* anniversary with a powerful representation of Spartacus and the Gladiators' games in ancient Rome. Palais des Congres (42662075).

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Tuesday March 10 1987

Challenge for West Germany

FOR months West Germany has stubbornly resisted international demands that it boost growth by arguing that any relaxation of macro-economic policies would fuel higher inflation. However, there is another course open to Bonn which could go a long way to placate critics abroad and inject healthy stimulus at home without incurring any difficult financial consequences. It is to speed up deregulation.

Despite a strongly professed commitment to free enterprise, West Germany's economy labours under an unusually heavy weight of legalistic regulations which inhibit competition domestically and impede international trade in goods and services. Conventionally defended on the grounds that they protect consumers, these restraints more often serve only the interests of producers.

How else to explain a road haulage system which makes it cheaper to transport freight from Dusseldorf to Brussels than to Bonn; local retailing laws which prohibit evening and weekend opening; or rules which prevent the drink known everywhere else as beer from being sold under that name unless produced precisely to a formula laid down by German brewers?

Bureaucratic monopoly

The West German cartel office, so assiduous in policing horizontal mergers, is powerless to act against these restrictions, which narrow choice and impose unnecessary costs. Though anachronistic regulatory curbs are starting to crumble in a few areas in the face of market pressures or legal action by the EEC, the lead in any really sweeping reform must come from Bonn.

The federal authorities will have an excellent opportunity shortly, when a government-appointed commission submits recommendations for liberalisation of telecommunications. Growth in this sector is currently constrained by the bureaucratic monopoly of the German Post Office, which has been widely criticised for stifling innovation and maintaining inefficient pricing policies.

Proposals for telecommunications reform have been made in Germany before, only to be brushed aside on the grounds that they raised difficult legal and constitutional issues. Invariably, the main reason has been a reluctance to take on powerful political and industrial lobbies opposed to changes in the status quo.

Chancellor Kohl's own record so far does not, unfortunately, inspire much confidence on this score. In particular, he has proved disappointingly ineffectual in asserting his authority over the increasingly powerful Laender (states) on important issues where the national interest requires the federal government to take a strong line.

Global competition

In many cases, proopsals for deregulation would be likely to involve, directly or indirectly, the interests of different states and would risk arousing strong opposition. In Bavaria, Mr Franz-Josef Strauss' Christian Social Union has already made clear that it will resist any changes in telecommunications policy which threaten the positions of Siemens and other local companies as privileged suppliers of equipment to the Post Office.

However, Bonn needs to recognise that failure to stand up to such pressures would have damaging consequences for the whole national economy. At a time when West Germany's industry is under severe pressure due to the strength of the D-Mark, it cannot afford the inefficiencies, high costs and structural obstacles to change which result from excessive regulatory restrictions.

Until recently, many West Germans have tended to dismiss deregulation as a US-inspired aberration which they could safely ignore. But the growth of global competition in an increasingly wide range of industries, of which financial services is only one example, make such complacency less and less tenable.

In the short-term, countries which fail to adapt in response to these trends will place competitive handicaps on their own industries. In the longer-term, they risk having imported deregulation forced upon them. It is as much in West Germany's own interest, as in those of her main trading partners, that she act decisively to remove constraints on domestic competition.

Arms and the Ministry

LIKE the rotor rhythms of an advancing helicopter, the warning sounds of another controversy about the role of government in the UK defence industry are upon us.

Westland will again be at the heart of the debate. The company has said that unless it gets some UK government helicopter orders to tide it over a two-year (1988-90) gap in its order book, it may have to lay off so many people that, come the early 1990s, it will no longer be able to develop the helicopters Britain is likly to want in the next decade. The Ministry of Defence is reviewing its future helicopter needs, and has promised Westland a decision, one way or another, sometime this month.

So it is important to be clear at this stage aboutt he merits of the view that "the Government must maintain the UK defence industrial base."

The argument keeps recurring. Westland uses it today, GEC did so in the recent past over the Nimrod radar, and other supplicants for government defence orders will doubtless use it tomorrow. What is involved is the £8bn-worth of defence equipment which the MoD buys from British industry every year, which makes it British industry's largest single customer.

Competitive buying

As the Government ponders Westland's plea, a powerful debunking of some of the usual arguments advanced in favour of special support for the country's defence industrial base (DIB) comes in an article by three economists, Keith Hartley, Farooq Hussain and Ron Smith, in the latest issue of The Political Quarterly.

This trio argues that defence money should be spent on defence—rather than to further general industrial, economic, or employment goals—and that the Government "should seek to procure weapon systems competitively within an alliance framework in order to meet security requirements without concern for the DIB unless it can establish specific national requirements for defence in particular sectors of industry."

The economists maintain, inter alia, that a nationally independent DIB is illusory, given the soaring complexity and cost of modern weaponry and Britain's inability to afford it without a growing degree of international collaboration. The allegedly unrealiable foreign suppliers are, generally, allies with whom the UK is trying to standardise equipment. The only major war Britain is likely to be involved in would be short and intense, so that existing stocks of equipment would be more important than a long-haul capacity to produce more. The only minor war Britain has recently been involved in, the Falklands campaign, showed that general industrial capability, such as conversion of merchant ships, was more relevant than replacement of combat aircraft and munitions.

Finally, the economists are sceptical of the employment and profitability benefits of the defence industry, and even more so of the civil spin-off from defence.

Collaborative projects

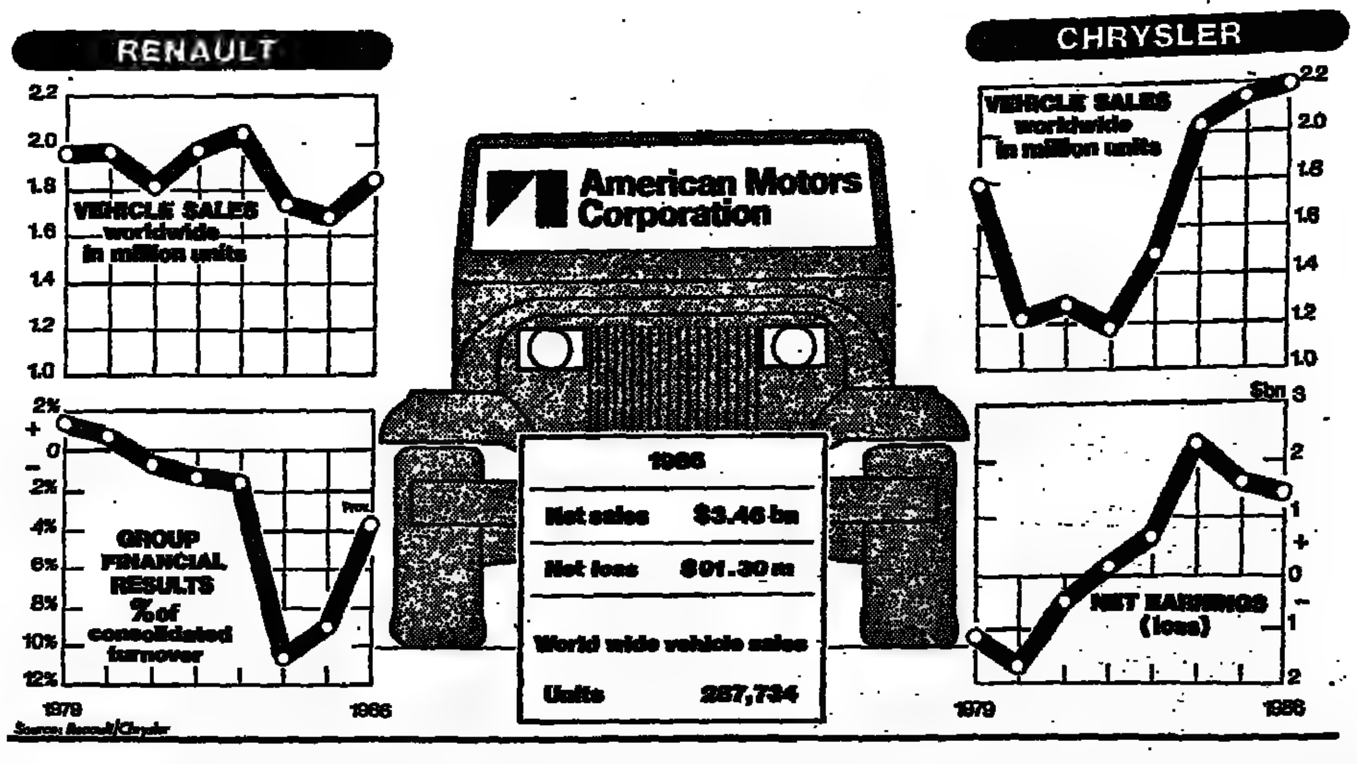
All this could be read as a simple recipe for letting a company like Westland go to the wall and buying helicopters entirely from abroad if that proved cheaper. But there would be drawbacks to such a course on purely defence, let alone industrial or political, grounds.

For one thing, international collaborative arms projects, which the Government has correctly judged to be the wave of the future, tend to relate the share of equipment which a participating country gets out of a project closely to the share of work it puts into it. As a major European military power, Britain is going to take a fairly high share of collaboratively-produced equipment from any project, and therefore needs a comparable defence industry to support that.

But what really matters is that the Government, in reaching its decision on Westland, should keep considerations of defence quite separate from general economic and industrial policy. Blurring the two has got it into trouble in the past.

The American Motors deal

Renault tries to do a Fiat



Source: Renault/Chrysler

RAYMOND LEVY, Renault's chairman, appeared tired but relieved yesterday. On board the French state car group's executive barge, normally used to entertain officials and bankers on the Seine, he was announcing Renault's decision to sell its 46 per cent controlling stake in American Motors to Chrysler.

Mr Levy has wasted little time in making one of the most crucial decisions in the recent history of the group. Barely three months in the job after taking over from Mr Georges Besse, who was killed by left-wing terrorists last November, Mr Levy has launched a strategic shift in Renault's activities by pulling out of America and concentrating on the group's core car businesses and markets in Europe.

"The decision is a crucial step in our efforts to redeploy our company's strengths," he said. "We must concentrate our forces on our core businesses in Europe and not disperse them elsewhere."

Although Renault, which was on the brink of bankruptcy a few years ago, losing FFr 12.5bn (£1.3bn) in 1984 and FFr 10.9bn in 1985, is now on the way to recovery, it still has a long way to go to consolidate its improvement. Mr Levy confirmed that the group expects to halve its losses to around FFr 4bn-FFr 5bn for 1986 and that the financial improvement will continue this year.

Mr Levy tried to suggest that the decision to withdraw from the US was not a retreat. He said the French group had seized an opportunity offered to it by Chrysler, which is mainly interested in American Motors' (AMC) Jeep production, the models the company is launching this year and AMC's new $650m (£408.8m) car plant at Bramalea, Ontario. Although AMC lost $91m last year, Chrysler clearly feels it has made an attractive deal.

Renault intends to continue collaborating with Chrysler. Under the terms of the preliminary agreement signed yesterday, Chrysler will continue to market Renault's new American models for five years. These include the recently launched American version of the Renault 21 called the Medallion and the six-seater intermediate saloon called Premier to be launched in the US this autumn. Mr Levy said the two companies also intended to sell each other's models in their home countries.

The decision yesterday ends an eight-year American adventure by Renault which has cost the group an estimated $750m. Renault signed its original agreements with AMC in 1978 and 1979, gaining 46.6 per cent control of the smallest of the US car makers in 1980. Since then, AMC has lost money every year with the exception of 1984

Renault saw in AMC the vehicle for the French group to establish a big presence in the US market. But a series of errors, especially the effort to concentrate mainly on the sub-compacts—a particularly competitive segment of the market—and the recovery of the rival US car makers' fortunes at a time when Renault was plunging into crisis has turned AMC into an increasing burden.

Renault failed to make much headway with the American car company which had out-of-date production facilities, a demoralised dealer network and a poor image for all but its Jeep vehicles. AMC brings to Chrysler less than 1 per cent of

By Paul Betts in Paris

the US vehicle market—not to mention almost $1bn of debt.

In 1985, when the French Government replaced Mr Bernard Hanon, the Renault chairman largely responsible for Renault's development in the US, with Mr Besse, the future of AMC was already in the balance. Mr Besse concentrated on restructuring Renault's French car businesses

Renault's French workforce has been cut by 25 per cent inside two years in a bid to cut unit production costs. It expects to achieve its target of breaking even on European annual output of 1.2m cars this year—in 1984 the figure was more than 2m.

Mr Levy has made clear that Renault's future strategy will be an acceleration of the policy of his predecessor to return the group to the black by improving its margins. Mr Levy pointed to Fiat as an example of successful Europe-based restructuring in the same way as Chrysler had done in the US.

Significantly, Chrysler itself originally decided to recentre itself on the US by selling its European assets to the French Peugeot group in 1979. Peugeot, the private rival of Renault, suffered several years of painful restructuring to absorb the Chrysler Europe acquisition.

Now Renault, once driven with major international expansionary ambitions especially in the US market, has also fallen into line. Although the company has not lost its ambitions to remain an exporter on the US market (which accounts for a third of western world car sales and half of total profits) and hopes to forge clear commercial links with Chrysler, yesterday's decision confirms the down-to-earth recovery approach adopted originally by the late Georges Besse.

Mr Levy's main immediates task is to rebuild Renault's car market share, which reached 40 per cent in France in the late 1970s, fell to 28 per cent in 1985, before recovering to 31 per cent last year. Renault's share of the European car market—at 6.6 per cent—was still on a declining trend last year.

A few weeks ago in Chicago, Mr Levy gave a hint about the future when he said the real question Renault had to ask itself about AMC was: "How much money can you earn from AMC, how much dividend can AMC give Renault, and how much will the investment earn?"

The conclusion yesterday was that Renault could not afford to hold on to AMC, even though the troubled US company appears to be on an improving trend, because the French group needs all the resources it can muster to consolidate its overall recovery.

FOR CHRYSLER, A PUBLIC RELATIONS COUP, BUT FINANCIALLY SMART TOO

A FEW HUNDRED million dollars may be small change these days by the standards of multi-billion deal making on Wall Street. But in Main Streets across the length and breadth of smalltown America, nobody is going to underrate the symbolism of yesterday's announcement that Chrysler is buying American Motors.

For Chrysler's deal confirms the almost messianic reputation of Mr Lee Iacocca, the man who symbolises middle America's dream of an industrial resurrection. Mr Iacocca, as Chrysler's chairman, first brought back to profitable and robust life the largest and most celebrated casualty of the economic and industrial traumas of the early 1980s. Now he has crowned the achievement—which he represented from the beginning as an act of patriotism as well as of financial valour—by wiping away the memory of one of the most stinging insults delivered by the global economy to America's industrial pride.

As Chrysler said yesterday in its official announcement, Jeep is the "best-known automotive brand name in the world." And even today, eight years after Renault bought its controlling stake in AMC, many Americans wince with disbelief and embarrassment when they are told that a French company makes the vehicles that helped win the Second World War for the US and its allies.

Indeed, if it had simply won back for Detroit the Jeep brand name, Chrysler would have achieved a major public relations coup. But fortunately for Chrysler's shareholders, there has always been a strong foundation of solid business sense beneath the nationalistic ballyhoo of Mr Iacocca's image. The deal to buy AMC seems to be no exception. Buying AMC, especially for the knock-down price Renault has offered, seems to fit well with all the strategic goals recently enunciated by Chrysler.

It will put Chrysler well on the way to its ambition of restoring the market share of 15 per cent or more which it had before the company's financial collapse after the 1979 oil crisis. It will increase Chrysler's productive capacity without costly and time-consuming new investment, another hallmark of the Iacocca approach. And it will give Chrysler the chance to benefit from Renault's investments in design and technology if it so chooses, without locking it into any kind of permanent arrangement.

Indeed, the marketing side of the deal, appears to be a salesman's dream, although Chrysler executives stressed yesterday

By Anatole Kaletsky in New York

that the full terms have not yet been completed. As things stand, Chrysler will continue selling through the AMC dealer system the middle and large-size cars which have been painstakingly designed by Renault for the American market. If these do well, the relationship will presumably prosper and continue — although the actual manufacture of the large-size Premier models will now be entirely under Chrysler's control. If the Renault models flop, the marketing arrangment will, presumably, be terminated and the costs to Chrysler will have been minimal.

One point that Chrysler takes particular pains to emphasise is that it is not about to embark on a vast campaign to enter into international relationships or reconquer the worldwide markets

Chrysler executives say: "We have no intention of ever again becoming a big global company." Chrysler now sells 97 per cent of its vehicles in the US and Canada.

This does not mean the company actually wishes to ignore the world market. Chrysler said late last year that it hopes to start selling up to 10,000 cars and minivans a year in Europe. It has a deal which looks like ending with it acquiring Maserati and is discussing tie-ups with Lamborghini. Most important, it owns 24 per cent of Mitsubishi Motors and markets all Mitsubishi's cars in the US.

The essence of all these arrangements has been a combination of financial caution and fast-moving opportunities which enabled Chrysler to pull itself together since 1981—and the AMC deal fits firmly into this pattern. In fact, the main mystery about the transaction is why Renault has offered Chrysler such a good deal.

AMC has just emerged into modest profitability after one of the longest stories of consistent losses in US industry. But more important to Chrysler than the small profits which AMC may now be able to show as a free-standing business are the clear benefits from a combination of the two concerns.

First there is the Jeep brand name. This is much more than a mere nostalgic throwback. The Jeep Cherokee passenger utility vehicles — the US counterparts of the equally successful British Range Rover—have found a profitable and very rapidly expanding niche in the upper part of the US car market.

In fact the urban-dwelling Yuppies' propensity to buy luxurious versions of vehicles originally designed for tough country running, has consistently outstripped an analysts' projections in recent years.

A second, equally important bonus from the Jeep brand will be that 1,000 Jeep and AMC dealers will be added to the Chrysler marketing network. With these dealers adding nearly 25 per cent to its present network, Chrysler will restore its distribution system to more than the scale it enjoyed before the 1979-80 collapse when more than 1,000 of its dealers went bankrupt or shifted allegiance.

The third asset AMC brings to Chrysler is a large and brand new assembly plant at Bramalea, Canada, which has been expensively constructed and tooled-up to produce the Premier large-car model.

This plant alone appears to make the acquisition of AMC a good deal for Chrysler. While no two car plants are directly comparable, the maximum price of $1bn or so which may ultimately be paid for the whole of AMC, once the minority shareholders as well as Renault are bought out, seems a bargain considering that Chrysler will be spending $1.2bn in the next few years on the refurbishment of a single plant, at Jefferson Avenue, Detroit.

Men and Matters

Jaguar in Disneyland

For some time now the fairy tale progress of Jaguar cars has seemed like something out of Walt Disney. Last weekend it was.

For who should turn up on Jaguar's doorstep but Richard Frank, president of Walt Disney Productions, with his wife Connie.

Frustrated at not yet being able to see the US version of the new Jaguar XJ6 — launch preparations are still going on — Mrs Frank persuaded her husband to cross the Atlantic for a long weekend just to try the British version.

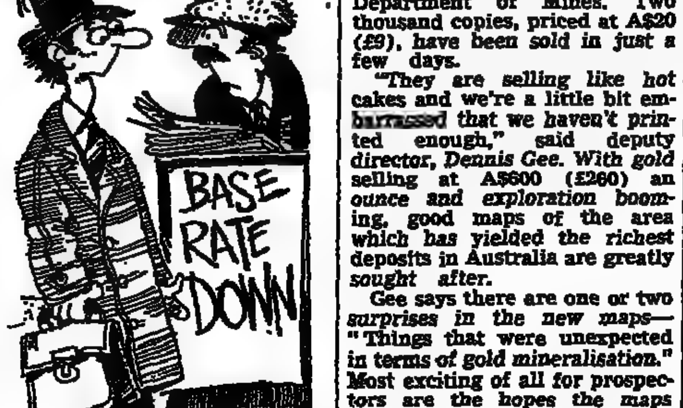
Jaguar, needless to say, laid on both a car and an executive to help them put it through its paces.

Not even the Franks, though, could conjure up a truly Disney ending. No, they could not take an American specification model back with them. With other Americans already waiting patiently, it would hardly be in the Disney tradition to try to jump a queue.

The wait should not be too long, however. The US model is being shown to the American dealer network and press from next week, with sales due to start in May.

Jaguar will have the welcome mat out again next week—this time for 30 members of the US Chief Executives Association, who are flying over for a view of the car and a factory tour.

Volume car makers, meanwhile, are spending fortunes just to lure potential buyers through showroom doors.



"Good grief—is it the Budget today?"

Treasure maps

Bookshop tills around Australia are hot from the sales of Robert Hughes's history of convict days, The Fatal Shore. But in Perth it is a set of geological maps that is the new bestseller.

The first-ever detailed survey of the famous Golden Mile at Kalgoorlie and a larger-scale map of the surrounding anticline have been produced by the Geological Survey of Western Australia, a division of the Department of Mines. Two thousand copies, priced at A$20 (£9), have been sold in just a few days.

"They are selling like hot cakes and we're a little bit embarrassed that we haven't printed enough," said deputy director, Dennis Gee. With gold selling at A$600 (£260) an ounce and exploration booming, good maps of the area which has yielded the richest deposits in Australia are greatly sought after.

Gee says there are one or two surprises in the new maps—"Things that were unexpected in terms of gold mineralisation." Most exciting of all for prospectors are the hopes the maps raise of another Golden Mile.

This famous stretch of dirt between Boulder and Kalgoorlie was once the richest patch of earth in the world. Since Paddy Hannan's legendary strike in 1892, millions of dollars have come out of dozens of mines packed side by side.

"There could now be confident exploration for deep structures which might be repetitions of, or similar to, that of the Golden Mile," said Gee.

With such a pay-off line, no wonder he has got a bestseller.

Demolition job

FRED Taylor, a retired university administrator, has a special reason for thinking next year will go like a bomb.

Taylor, who recently left the estates and buildings department of Salford University, was given an unusual parting gift. This was a promise that he would be allowed to blow up a 13-storey building on the campus, an event due for the latter half of 1988.

The scheduled demolition follows the cuts in government funds, meted out by the University Grants Committee, which Salford has suffered in recent years. The cuts forced the university to reduce its numbers of students, from 5,000 in 1981 to about 4,400 today, as a result of which the 20-year-old tower is no longer required.

Prof John Ashworth, Salford's vice-chancellor, who has made up much of the shortfall in government cash by fixing up lucrative contracts with industry, told Taylor he could press the detonation button on the grounds that the ex-employee heartily disliked the building's architectural style.

Always keen on publicity — Ashworth once took a busload of teenagers and computers to call on 10 Downing Street, to promote his ideas on technological education — the vice-chancellor plans to make the demolition a special event. He says, perhaps with tongue in cheek, that he intends to replace the tower with a carefully designed modern sculpture entitled "The Apotheosis of the University Grants Committee."

Home front

The revamping of the image of solicitors goes on apace. Recently, the new secretary-general of the Law Society, the solicitors' professional body, announced a radical reorganisation of the Society's bureaucracy, streamlining it in readiness for the 1990s.

Now the Society is to launch a legal blitzkrieg on an unsuspecting public at the Ideal Home Exhibition which opens at Olympia today.

No fewer than 320 solicitors will be on hand throughout the month-long exhibition, taking it in turns to bring the law to the people, and all eager to offer advice on legal problems.

There will even be a confidential corner of the Law Society's stand where delicate matters of matrimonial differences can be unburdened in private—rather reminiscent of that bank manager in the bedroom wardrobe.

Flickering from four video screens will be comedians, Mel Smith and Griff Rhys-Jones, engaged in one of their lugubrious head-to-head discussions on the subject of wills, and whether they are better left in the care of a solicitor rather than your friendly mini-cab driver.

It all looks like a desperate bid to remove the last traces of the profession's Dickensian image—and, perhaps, to raise its rating in the opinion polls in which lawyers tend to rank little higher than journalists.

Soup of the day

The soup listed on the menu for a "businessman's lunch" at a Basingstoke pub was "cream of salary."

Observer

'How can they do this to us?'

Robin Pauley in Honolulu talks to Ferdinand and Imelda Marcos

FERDINAND MARCOS, diminutive and frail as a sparrow but alert as a buzzard, sits perched on a nest of soft cushions. A revolution in his country and legal actions around the world have clipped his political and financial wings, leaving him exiled in Hawaii with little but the past to look forward to.

His health is poor; he claims his pocket is too. He is unhappy but unbowed. There are no expressions of regret and there is neither contrition nor humility. "My biggest mistake during my entire presidency was to listen to the advice of the Americans and call a snap election," he says, referring to the February 1986 poll, which was the beginning of the end of his two decades in Manila's Malacanang Palace.

Amid the popular "revolution," which brought Mrs Corazon Aquino to power, Mr Marcos and his wife, Imelda, and 100 of their supporters hitched a hasty lift from the Americans. They say they thought they were being taken to Mr Marcos's home province in the north but they were whisked to Guam and had no option but to go on to involuntary exile in Hawaii.

"I am fatalistic enough to accept what destiny has for me. But we are not happy here and we want to go home. I think Madame Aquino's government will collapse within a year, even if we do nothing. The double-headed crisis of the economy and the insurgency will bring them down.

"If her government falls the Communists, who already have substantial influence in her administration, will take over unless there is a military junta. I would much prefer Mrs Aquino to stay in power than for the Communists to take over," says Mr Marcos. "I would be prepared to return as an ordinary citizen and would like to do it now. I won't even make any public appearances."

Mrs Marcos agrees. "I am not resigned and I know we shall be vindicated because I know we were right and we are innocent." Close to tears, she adds: "But I no longer ask for justice. I just ask for my one dream — the right to die and be buried in my own country. This is a divine human right which is being denied us. It is so ugly and inhuman. How can they do this to us?"

This is a dream which seems to have little chance of being fulfilled in the near future. There are too many unanswered questions surrounding some of their earlier dreams and the way they achieved them. "Our problem is that we are both romantics," says Mr Marcos. "We had to transform the colonial mentality of the Filipino people and spiritually regenerate them."

His wife adds: "We could not solve their financial problems instantly, but we could give them a new dignity through beauty."

The two still cannot comprehend the criticism of the grandiose schemes, land reclamation, extravagant fixtures and fittings. Mrs Marcos combines an Oriental perception of spirituality and beauty with an overtly Western materialism. She seems oblivious to the fact that gold-plated taps and opulen public buildings do not inspire peasants struggling to keep a roof over their head in a country where half the population lives below the poverty line.

"Why do people say such cruel and ugly things about me? Everybody talks about my shoes, for example. I have many weaknesses: shoes are not one of them. They said I had 3,000 pairs. Now they have finally bothered to count them. It is 1,060. The Philippines is a shoe-making country and the makers were always sending me their shoes. If you check you will find many are not even my size. But at least you expect to find shoes in a cupboard. Mrs Aquino has only skeletons in her cupboards," says Mrs Marcos, eyes blazing.

"This ring may be worth several hundred thousand dollars now but it is my engagement ring and cost Marcos $7,000 35 years ago. Is it a crime to have an engagement ring? I am not extravagant," she says, unconscious of the irony when she adds moments later "I had to leave 12 cases crammed with my jewellery behind in Malacanang. You should ask Mrs Aquino where it is."

Mr Marcos turns to the missing millions he is alleged to have spirited away corruptly during his years in power. "The stories vary from $200m to $30bn. Look, you get that money and I'll be content with 10 per cent and you can take the rest. All these rumours are baseless."

"This villa costs $6,000 a month rent which is paid for by friends. Another friend lent us the (Cadillac) limousine," adds Mrs Marcos. But why not make a once-for-all declaration of income and assets?

"I cannot go to the grand jury investigation into the Marcos millions in Virginia. I'm too ill and the cold will kill me. I force myself to sit up and not lie down but I am not well. I have a lung virus, the beginnings of asthma and vertigo. I am not on dialysis, as rumour has it. But I cannot fly above 3,000 feet because of an enlarged optic nerve which could haemorrhage," says Mr Marcos.

The former president is clearly not well. He is frail, walks with difficulty, cannot shake hands, eats with a spoon and fork, sterilises his hands before eating and takes numerous pills during lunch. All his specially prepared and measured food and drink is covered in clingfilm until he consumes it. "The next virus will be the last," he jokes, trying to keep a fly off his food.

But would he talk to the grand jury if they came to him in Hawaii? "Yes, they can send a lawyer or even the entire grand jury and I'll be willing to testify," he says, a little uncertainly. During a long conversation with the Marcoses it is often difficult to tell where fact becomes fantasy and even trickier to discern whether they themselves know where the dividing line lies. But when Mr Marcos discusses the economy of the Philippines the game is up.

He deals with all the economic fundamentals, often repeating "Well, let's use Mrs Aquino's Government's own figures." But the figures he uses are for 1966, when he took office, and 1986 which was Mrs Aquino's first. These show growth and improvement all the way until his demise and then sharp decline under Mrs Aquino. In reality, the disastrous decline in the Philippines economy began as early as 1980, worsened each year and continued to worsen after Mrs Aquino took office. It is only now beginning to stabilise.

Similar critical factors are brushed aside from Mr and Mrs Marcos's view of many aspects of his presidency. "He had the most democratic pyramid structure possible in the Philippines and it is now being destroyed. How can anyone say such a man ... was a dictator?" asks Mrs Marcos.

Drawing liberally on quotations from Pericles, Plato and occassionally Churchill, Mr Marcos adds: "Democrary is the key. No Communist country has ever turned to democracy."

But is life really so bad in Hawaii? The luxury villa on millionaire's row at Makiki Heights overlooks downtown Honolulu, Waikiki Beach and Diamond Head, with spectacular views across the ocean. A constant stream of friends stops by to visit on their way to and from the Philippines. The Marcoses do not appear to be living in regal style, but nor are they close to pawning Imelda's engagement ring.

"This is a house to stay in but not a home to live in. If we have to live in exile we will stay in Hawaii. We are used to islands and sea and that is what we have here. We will try to create something beautiful here and I can look out to sea there and know that we can be home in just 10 hours. But it is not nice. An American journalist once said to me that for all the people living down there in town, up here was luxury. I had to tell him that for two decades Marcos and I lived up there in a palace," she said, pointing to the sky. "Believe me, for us this is down."

Mr Marcos says: "I do not regret having gone into politics. But I would be happy to have nothing more to do with it if we can just get back."

The EEC

Ways to get out of the budgetary tangle

by Christopher Tugendhat

THE EUROPEAN Community has been so bedevilled by budgetary disputes over the last decade that it is difficult to know whether to yawn or cry at the prospect of another. To yawn because few subjects can be as abstrusely boring as the details of Community finance. To cry because of the amount of ministerial and official effort that will go into arguing about it when so much else needs to be done.

However, now that the Commission has finally tabled its ambitious proposals for substantially increasing the Community's own financial resources, and for changing the basis on which they are assessed, an argument requiring two or three years to resolve has already begun.

No doubt it will be punctuated by one, or more likely two interim agreements. But on the basis of my eight years as Budget Commissioner I should be surprised if the member states reach a final agreement in much under three years. Meanwhile the demand for funds, above all from the Common Agricultural Policy, will outrun the supply and Community affairs will be conducted in an atmosphere of crisis mitigated by familiarity.

There are at least two expedients at hand to see it through to final agreement. One is to change the way the member states receive the money paid out to farmers under the CAP from payment in advance to payment in arrears. The other is to increase the proportion of value-added tax receipts available to the Community on the present basis of calculation from the existing 1.4 per cent to 1.6 per cent—more difficult as it requires the approval of national parliaments. Both will generate a good deal of sound and fury.

The Commission, and those member states that stand to benefit most from higher spending under the new proposals, will complain bitterly about the Community being held to ransom and policy being sacrificed to expediency. By contrast those that stand to pay most — "the providers" — will insist, with varying degrees of emphasis, that spending on the CAP must be curbed and policies changed before new money can be made available. No doubt Britain will be prominent in this camp, though it will also include West Germany, France and the Netherlands.

I should like to offer a word of advice to each of the three groups involved.

First, to the "providers." Of course they have the whip hand in that they have the money and the others want it. But in the Community everything is always linked. If, therefore, they drive their advantage on this issue too far they must expect progress on the internal market and other cherished projects to be curtailed. The Community's political cohesion, which provides the indispensable underpinning and push for progress in economic and monetary matters, as well as foreign policy co-operation, will be jeopardised.

Second, a point for the Commission. Too often in budgetary disputes it pays disproportionate attention to the views of the European Parliament and those member states that support its proposals. It must remember that on this issue plaudits in Strasbourg and majorities in the Council of Ministers achieve nothing. It is unanimity among the member states that counts and those which have the money, not those which want it, which must be convinced.

Third, one for the poorer countries. Don't use the word Europe as an excuse for making impossible demands on the "providers." That way lies deadlock. They will not make large sums available to pursue objectives in other countries that they would not support in their own, especially when in all of them public expenditure is under severe constraint. Nor will it be easy for them to open their coffers without receiving anything in other areas.

For the Greeks to imagine that they can regard foreign policy issues as a means for cocking a snook at their partners by withholding their co-operation, and then expect their demands for increases in the regional and social funds to fall upon receptive ears, is absurd.

So what should the basis of a final settlement be? An outsider can only lay down guidelines.

From a Community point of view the most important is that the 1990s should not be marred by a repetition of the disputes of the 1980s. To that extent the Commission is right to suggest substantially raising their own resources ceiling. But there is all the difference in the world between raising the ceiling and actually making the money available from year to year. It is at that point that the compromise between the "providers" and the recipients should be struck.

Before own resources are substantially increased real curbs based on objective criteria related to supply and demand and the situation on world markets must be imposed on agricultural spending. The reorganisation of the regional and social funds should also be carried further so that money is spent only on a limited number of objectives consistent with targets set by the Council of Ministers and the European Parliament. At present too much is still scattered like water through a sprinkler over all 12 countries.

Finally the Community must extend the range of commonly financed activities into areas that have hitherto received very little. In this context research should be a prime candidate.

I would suggest two other improvements. One is that the finance ministers should be given effective means to establish the economic and monetary framework within which the agriculture ministers take their annual decisions. The other is that the budgetary timetable should be changed so that the CAP and other matters are dealt with at the same time. At present the CAP spending is decided in the first half of the year and everything else in the second, which makes it impossible to treat these items as a coherent whole within the budget.

The author is former Vice-President of the European Commission in charge of the budget, and now chairman of the Royal Institute of International Affairs (Chatham House).

Letters to the Editor

Beautiful country

From Mr J. Whitaker.

Sir,—Mr Yates (March 5) suggests that a voluntary set-aside scheme would not work unless the compensation is artificially high. This may be the experience in America, but it need not necessarily be the case here.

I am delighted that this debate graces your pages — for debate is assuredly what is needed. As a farmer I have to make tactical decisions, eg cropping plans, which affect the next two years, and strategic decisions which will impose or relieve constraints for many years hence. For example should I spend serious money converting a grain drier to another use? It is very diffient to make sensible decisions without some vision of my future role. At present our masters seem barely able to perceive 12 months ahead; all they tell me is that I am politically unloved and times will get tougher.

I accept that there must be change; but I want to be party to the debate that proceeds these changes. Let us not have a repeat of the milk quota bombshell which was imposed with little warning, and being European it took no heed of this country's landlord/tenant partnership. Out of thin air a phoney asset was created the ownership of which was unclear and which is another entry barrier to the industry.

A radical change in the cereal sector policy must fulfil three needs: economic and social, and the third is recognition of our role as stewards of the countryside.

Some parts of the country can produce higher yields than others, thus at a lower unit cost. If I ran twelve widget factories when the output of ten would permanently satisfy the market it is economically sensible to close the two least profitable, not put the whole lot on short time. The latter is the equivalent of non-tranferable quotas, which is economically inefficient. The former could be effected by dropping the price of wheat to say £80/tonne but this would be socially disasterous, and would destroy other profitable enterprises as vast numbers of farms go bankrupt.

To be effective a voluntary set-aside scheme would need the "rate" to be set at a level higher than the gross margin of the land growing the surplus, and just lower than that of the land growing the demanded quantity plus a sensible strategic amount to allow for poor harvests. This would give farmers on the poorer ground a chance to develop other enterprises; for if we do not make profits we will not be able to fulfil our important—and very welcome—role as stewards.

A bolder suggestion is to pay farmers to set aside the headlands of their fields. The outside strip of a field never yields as much as the rest of the field, furthermore the crop invariably has unwelcome seeds from plants that have spread from the hedgerow, and a higher moisture content. On my farm the average field size is 10 hectares; a six metre strip would occupy roughly 0.8 ha. If this strip was left fallow the actual harvestable crop loss might be around 6 per cent, but because I could probably obtain a slightly higher price (less contamination), and have lower unit costs (less drying) my financial loss could well be minimal. The wildlife and floral benefits would be immeasurable; we already know that kindly treated headlands harbour many beneficial insects, eg ladybirds that love nothing more than a breakfast of aphids.

A mixture of both suggestions could be economically and socially successful, and would transform the ecological wealth of our countryside.

Jack Whitaker.
The Cottage,
Babworth,
Retford, Notts.

Balance sheet architecture

From Mr D. Goch

Sir,—The letters from Mr Howling (March 3) and Mr Munson (March 6) on the subject of the accounting treatment of R & D expenditure prompt me to suggest that the time has come for a reassessment of the accounting standard-setting process. It seems to have taken on a life of its own and clarity and simplicity of presentation has become a casualty of the system.

Not all the accounting standards promulgated to date have made a positive contribution to a better understanding of published accounts. Imposing uniformity of accounting treatment may make things easier for the investment analyst but it is achieved at the cost of a loss of the capacity to exercise personal judgment according to the circumstances of the individual company. Indeed, compliance with the requirements of a particular standard can entail a less satisfactory treatment of items in the accounts than might otherwise be adopted.

Provided that companies are required to include a statement of accounting policies in their annual report and the auditors are required to certify compliance with its terms, then this ought to satisfy the needs of the professional analyst.

The introduction of accounting standards has coincided with an increasing obscurity of presentation—to the point where published accounts are all but incomprehensible to anyone other than the analyst and the accountant. I suspect that balance sheet presentation is being influenced by the architecture of the new Lloyd's of London building—with all the bits and pieces hanging on the outside to hide what goes on inside!

Desmond Goch.
4 Paddock Wood,
Harpenden, Herts.

Scrutinising the Chunnel

From the Minister of State for Transport.

Sir, — Sam McCluskie, the general secretary of the National Union of Seamen, is understandably opposed to a Channel tunnel, since it would bring more competition for the ferries and for members of his union.

In his natural anxiety to protect sea-borne services however, he should not mislead himself. For example in his letter (February 27) he asked why the tunnel should not be subject to public scrutiny. Yet in the legislation now under way at Westminster, we have already seen a Commons Select Committee considering — in public over a five-month period — 4,845 petitions and making 70 amendments to the Bill; the — public — deliberations of the Commons Standing Committee have filled 766 columns of the Official Report and produced further significant changes; and the Lords Select Committee has begun to hear — in public — further petitions.

If a public inquiry had been held the Secretary of State would have appointed an inspector to hear the evidence, and, when he had seen the inspector's report, would have made his decision, in private. I believe the Hybrid Bill procedure, allowing full examination by the highest tribunal in the land — Parliament — is the appropriate way in which a project of such historic, national importance should be taken forward.

A word too about Mr McCluskie's fears of the tunnel widening a north-south divide. Construction and supply contracts worth £1bn will be there to be won by UK firms Already companies in Scotland and in the north of England have secured orders or letters of intent worth more than £10m. Once in operation, the tunnel will offer UK businesses everywhere the certainty of a fast, reliable, competitive link to the huge Euro-markets. That is good for jobs, good for profits, good for Britain — all of Britain. The opportunities the tunnel offers are clear before us: I believe we must seize them.

David Mitchell,
2 Marsham Street, SW1.

Equivalent to tax

From Mr A. Napier

Sir,—Most regretfully I must complain about the sloppiness of your language and thought.

Writing about power stations on the front page of March 5 you inform us that "the electricity industry contributes about £1.3bn a year to the Exchequer, roughly the equivalent of 1p off income tax."

This is a truly astonishing proposition — let our power stations generate not only electricity, and some heat, but money as well. Is this by subatomic reactions? Fusion or fission? Let us have bigger and better power stations, and throw the electricity away.

Similarly I keep reading about the marvels of North Sea oil revenue. This is another astonishing proposition — you drill a hole in the North Sea and out comes money. Let us have many more of them.

Sir, you have been brainwashed. These are all taxes on the long-suffering people of this country, rich and poor alike (especially the poor who by definition do not have the financial muscle to pass on their costs to others).

If the Exchequer does indeed take £1.3bn from the customers of the electricity industry then this is equivalent to 1p on income tax, not off it.

Alec W. Napier.
10 Long Garden Walk,
Farnham, Surrey.

Selling Mexican banks

From the Press Officer, Mexican Embassy

Sir,—I should like to mention that lines omitted from the last paragraph of Ambassador Navarrete's letter (March 5) had the unfortunate effect of conveying the opposite meaning carried in the original text, which reads . . . "incentives were offered to the original investors for keeping the share-certificates, discouraging the speculative buying usually associated with this kind of operation."

(Dr) Elena Uribe,
8 Halkin Street SW1.

FINANCIAL TIMES
Tuesday March 10 1987

CHIRAC FACES CONTROVERSY OVER PLANS TO REFORM SOCIAL SECURITY

French welfare system in the red

BY GEORGE GRAHAM IN PARIS

MR JACQUES Chirac, the French Prime Minister, faces growing controversy over his proposed reform of the country's social security system following the announcement yesterday that the system sank into substantial deficit last year with the prospect of a greater loss this year.

A deficit of FFr 20.9bn ($3.42bn) was recorded in 1986 and losses are expected to deepen to FFr 30bn this year, according to a report by the social security accounting commission. The opposition Socialists said the system showed a surplus of FFr 13.4bn under their government in 1985, but Mr Chirac's conservative Government estimates that FFr 12.5bn of this was because of accounting discrepancies.

Mr Chirac has announced a series of conventions on the future of the social security system, to take place before the summer.

The French trade unions, which bitterly oppose the Government's proposals, are planning demonstrations from the end of this month.

The future of the system has been placed firmly on the political agenda for next year's presidential elections and was debated by the Socialist Party at a special meeting last weekend.

The accounts of the general section of the social security, which includes most employees and looks after about 80 per cent of the population, showed a rise of 5 per cent in receipts last year to FFr 596.4bn.

Spending in its three main division climbed more rapidly. Health expenditure rose by 10.2 per cent to FFr 239.5bn, retirement payments by 6.6 per cent to FFr 161.9bn and family benefits payments by 5.4 per cent to FFr 100.15bn.

The social security organisation is run jointly by employers and trade unions, but the Government sets the level of contributions and benefits.

The system faces chronic financial difficulties in two of its main sectors – health insurance and retirement insurance – because of a rise in the number of people claiming benefits and a fall in the number paying contributions.

A further bone of contention is the existence of separate social security offices, including curiosities such as the offices for the Paris Opera and the tram drivers of France but more importantly covering groups such as the miners, railwaymen and agricultural workers.

These separate offices, most of which are looking after ageing or dying industries, are deep in deficit and are usually bailed out by the general social security office. Yet in several cases they pay higher benefits than those paid out of general social security.

The trade unions want the deficits of the separate offices to be met by central government instead of being paid for by the general social security system.

However, Mr Jean Marmot, secretary general of the social security accounting commission, said yesterday that "it is not by this means that we will resolve the financial difficulties" of the system.

Mr Philippe Seguin, minister for social affairs, says that the ageing of the French population and the loss of 700,000 contributors, who are now unemployed, have created a "structural deficit" on the system's retirement payments.

In addition, the decision by the previous Socialist government to reduce the retirement age to 60 precipitated a crisis "which would have happened in any case," Mr Seguin says.

On the health side, Mr Seguin has already launched, to angry opposition from trade unions and mutual assurance organisations, a programme to cut spending on health payments by a planned FFr 9.3bn this year.

The programme reduces the number of cases in which French citizens have all their medical expenses reimbursed, raises hospital charges to FFr 25 a day

Since January 1, nearly 4m people, most of them elderly, have found that social security no longer pays 100 per cent of their medical costs.

The trade unions would prefer social security contributions to be raised instead of benefits being cut,

Pan-Arab public telecom venture planned

BY DAVID THOMAS IN LONDON

SEVEN Arab countries are considering a plan to build two factories, probably in Egypt and Algeria, to make public telephone exchanges for the Arab telecommunications market, soon expected to be worth $200m a year.

The plan was produced by two British consultancies, which were asked to advise on how the Arab world could modernise its telecommunications and contribute to its industrial development at the same time.

They recommended that factories be built in Arab countries on a joint venture basis with leading Western equipment makers to supply the bulk of Arab demand for public exchanges.

The consultants suggested that Egypt should house one of the factories, because it is the largest Arab market and because it was already considering plans to build a factory to serve its own needs. Algeria appears to be the preferred second site.

Egypt has already invited tenders for its factory, but it has done so in a way which excluded the British telecommunications groups GEC and Plessey on the grounds that their System X exchange had not won significant overseas orders.

Observers believe that Alcatel of France, Ericsson of Sweden and the joint venture between AT&T of the US and Philips of the Netherlands are among the companies most likely to win any contracts emerging from the seven-nation plan.

The two consultancies, KMG Thomson McLintock and British Teleconsult, were commissioned to produce the plan for the Arab Industrial Investment Company (AIIC), a venture capital organisation backed by several Arab governments and based in Baghdad.

The consultants concluded that Arab demand was sufficient for two factories, or at most three, to serve the entire Arab market.

This was based on the prediction, described by the consultants as conservative, that the annual Arab demand for digital exchanges by 1990 would be close to 1.2m lines, worth more than $200m.

The studies suggested that each plant should produce at least 250,000 lines a year to be economically viable. Any gap between output in the new factories and overall Arab demand would continue to be met by imports.

The plan won AIIC approval and was considered at a meeting last month in Bagdad

Plessey order, Page 12

Nakasone threatened by tax controversy

Continued from Page 1

through legislation without the approval of the opposition. The winning candidate at the weekend, a member of the Japan Socialist Party, based his entire campaign on the tax issue.

Mr Nakasone and his party now face the question of how to salvage the tax proposal and the party's honour before things get worse. Already, Tokyo is buzzing with talk of weakening the tax proposal and allowing Mr Nakasone to retreat with honour, perhaps after the world economic summit in Venice or in the early autumn.

Before considering the LDP's options, it is important to appreciate the place that Mr Nakasone's sales tax has in the Government's economic strategy and why survival of the tax, in some form, is important.

At first glance, it seems extraordinary that Japan is considering what is essentially a consumption tax, when the rest of the world is pushing the country to boost domestic demand. Even its own industrialists have started to lobby for proper stimulative economic measures as the appreciation of the yen takes its toll on export-led industries.

But this tax should not be seen out of context. It would be Japan's first across-the-board indirect tax, and the first step towards broadening the country's tax base and removing the inequities and anomalies which have existed since the 1950s. Indeed, the proposed sales tax seems almost innocuous next to the tax reforms which the Government hopes to tackle next.

On that list are such horrors as property tax, land tax, agricultural tax and reform of the taxation of the retail and wholesale distribution sectors.

Once these issues are resolved, Japan can begin to move towards a more balanced economy – one in which an average middle-management executive can buy a house within commuting distance of Tokyo at a reasonable price, where landowners are encouraged to sell, rather than hold their property, and in which rice in Japan costs less than 10 times the world price.

Mr Nakasone's sale tax is a crucial test. "If the Government cannot do this, it won't be able to do anything to reform the retail and wholesale distribution system," says Mr Takashi Kiuchi, senior economist at Japan's long-term credit bank.

Reform of the domestic tax system would also enable Japan to respond to the pressure to stimulate domestic demand. For all its wealth, Japan has a huge national deficit, equivalent to between 4 and 5 per cent of gross national product. This makes costly pump-priming measures all the more difficult for an administration pledged to fiscal austerity.

None of these longer-term schemes, however, will get off the ground unless Mr Nakasone and the LDP free themselves from the deadlock. Party leaders are now discussing a kind of Japanese bait to lure the opposition parties back into Diet debate. This could involve several options, including a delay of the sales tax until perhaps early 1989, with the proposed income tax cuts going into effect this year. A reduction of the tax from 5 to 3 per cent is also being considered, but abolishing many of the proposed tax exempt categories.

As for Mr Nakasone, party leaders are considering what the Japanese call Hanamichi, the term applied to the retreat from the stage of the lead actor of a Kabuki play, accompanied by applause and spotlights. Such an exit could take place honourably after the Venice summit, or in the autumn, assuming the sales tax issue is settled.

BT agrees to lease Astra TV channels

BY RAYMOND SNODDY IN LONDON

BRITISH TELECOM has reached agreement in principle to lease up to 11 channels on Astra, the controversial television satellite project based in Luxembourg.

Astra is a dedicated private-sector television satellite scheduled for launch in summer 1988 which can deliver 16 channels of television both to cable networks and to individual homes all over Western Europe.

The BT backing is a major financial and political boost for Société Européene des Satellites (SES), the company behind Astra, which has been unable to reach agreement with Eutelsat, the European satellite organisation made up of the European telecommunications authorities.

This lack of agreement has meant that SES faced the prospect of negotiating with each national telecommunications authority for permission to "uplink" the television signal to the satellite. It is unlikely that BT would refuse to transmit pictures to its own leased channels and its support for Astra is likely to influence the attitude of other European telecommunications authorities.

BT plans to set up a new joint venture company with SES to market its leased channels, primarily to providers of existing cable television channels at present split between two telecommunications satellites, Eutelsat 1 and Intelsat 5.

Astra hopes it will become the "hot bird" of European television – the satellite that all the programme providers want to be on.

The joint venture will also try to encourage production of individual satellite receiving equipment.

SES claims that a 60cm dish will be large enough to pick up a good quality picture from Astra in 97 per cent of homes in French, German and English speaking zonees.

The BT involvement with Astra means that probably half the Astra channels will be in the English language.

Astra, which is using an RCA satellite, will cost £125m.

The SES investors include Thames television.

UK banks cut lending rates

Continued from Page 1

nounce simultaneous reductions in income tax and in public borrowing in his budget speech, a strategy which most London economists expect will generate pressure for still lower interest rates. That sentiment was reinforced by sterling's ability to shrug off yesterday's move.

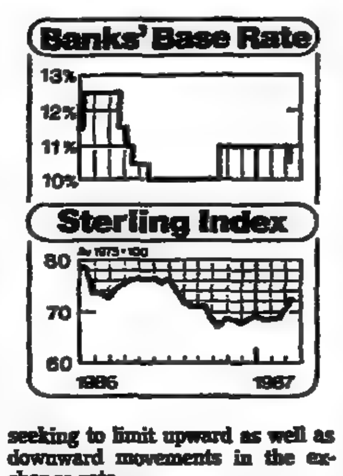
Another ½ point reduction in bank base rates might also be enough to persuade the building societies to cut mortgage rates on home loans, which in turn would dampen upward pressure on inflation during the summer months.

It is now clear that the Treasury has had an implicit target range for the pound's value since the Paris agreement. At that meeting, Mr Lawson said that he did not want to see sterling fall further nor did he want to see a "substantial rise." In the two weeks since then, the pound has appreciated by nearly 5 per cent.

Officials insisted that the decision to cut rates yesterday did not suggest that the ceiling for the pound's value had been reached. They said that the Treasury's view of an appropriate level for the pound was subject to a range of factors which varied over time.

That judgment would depend, for example, on the level of interest rates. An exchange rate regarded as being at the top of the official range at one level of interest rates would not necessarily be unacceptable if borrowing costs were lower.

The officials agree, however, that since the Paris accord, the Treasury has adopted an explicit policy of seeking to limit upward as well as downward movements in the exchange rate.



In the past, Mr Lawson has been dismissive about operating any sort of target range for sterling outside of an exchange rate mechanism like the European Monetary System. That position has been at least partially modified, however, in the light of the understanding reached in Paris.

Yesterday's cut in interest rates was thus aimed, in the words of one senior Treasury official, at "taking some of the short-term steam out of sterling's rise."

It was welcomed by the Confederation of British Industry which said it would reduce industry's costs by £125m ($198m) over a full year, but was criticised as "too little too late" by the opposition Labour Party.

Mr Tony Blair, a Labour Treasury spokesman, said that he would be pressing his demand for an enquiry into why the Bank of England had resisted a cut in rates last week. The Bank's stance had allowed speculators in the gilt-edged market to make a windfall profit estimated at £200m, he said.

In financial markets yesterday the pound ended on a very strong note, but UK government bonds and equities recorded substantial losses.

Prices of gilt-edged stocks ended as much as 1½ points lower after the Bank of England announced it was issuing a £1bn tranche of 8¾ per cent Treasury loan stock due 1997. The decision to sell more stock, less than a week after the rapid sell-out of another £1bn issue, was seen as a clear attempt by the Bank to curb any further price gains. Bond prices rose sharply last week on a wave of enthusiasm prior to the budget and on hopes of a base rate cut.

Both issues have been partly paid. However, last week's issue was only £20 per cent payable on application whereas the first payment on the latest offering is £40 per cent.

Gilt-edged traders saw this as a strong signal, on the day when the Bank had acceded to market pressure for lower interest rates, that the market should now calm down.

In the equity market, the FT-SE 100 index fell 24.5 to 1973.7 and the FT Ordinary share index ended 27.1 points lower at 1,574.3.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

France lowers money market rates

By George Graham in Paris

THE Bank of France yesterday lowered its money market interest rates by a quarter of a percentage point.

The cautious reduction in interest rates followed a steady reduction of pressure on the French franc in the foreign exchange markets and a decline in interest rates in other countries.

Foreign currencies have been flowing back into the Bank of France's accounts at a rate of between FFr 2bn ($326m) and FFr 6bn a week over the past month, helping to offset the heavy foreign exchange expenditure in January during the French franc's weakness.

French officials yesterday denied any direct connection with the lowering of UK bank base rates, but noted that central banks had been co-ordinating their activities closely since the meeting in Paris last month of finance ministers and bank governors from six leading industrial nations, which agreed that the dollar should stabilise around its current levels.

The reduction in rates is seen as part of the package of measures, including the West German tax reform plan, undertaken by the Europeans, as part of the Louvre agreement, to stimulate economic growth rates.

The Bank of France's move leaves its intervention rate, which marks the lower end of the range for money market rates, at 7.75 per cent. The seven-day repurchase rate, the upper end of the range, moves to 8.5 per cent.

The announcement yesterday of relatively fast money supply growth in January did not block the reduction in interest rates. Although M3, the broad measure of money, grew by 1 per cent during the month, this was seen as a correction after December's reduction.

The M3 annual growth rate remained at 4.4 per cent, within its official target range of 3 to 5 per cent growth, while the narrower M2 growth rate stayed at 4 per cent, at the bottom of its target range.

French officials still see domestic interest rates as high in real terms, and further cautious reductions are not ruled out.

The Bank of France's latest review of the economic situation showed a slowdown in domestic demand, and it is hoped that lower interest rates will contribute to an increase in investment by industry to help offset the reduction in consumer spending.

"I think there is more to come, but the Bank of France is forced to be prudent when the stability of the dollar is still under observation. There could be another 100 basis points to come before the end of the year," said Mr Jean Cheval, chief economist at Banque Indosuez.

Meanwhile Mr Karl Otto Pöhl, the Bundesbank president, is reported to have told a closed investment symposium that West Germany would consider cutting leading interest rates again if the US made a similar move.

Although there are understood to be no definite plans for a cut, Mr Pöhl is said to have indicated that a cut in US rates would give Bonn room for a matching manoeuvre.

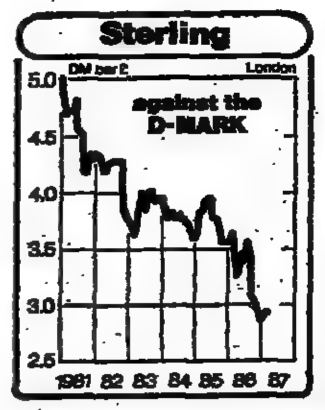
THE LEX COLUMN

Beating the bounds of sterling

However informal or movable it may be, the UK authorities yesterday admitted to having an upper limit for sterling. As the markets had assumed that they did since the G6 meeting, the Bank of England's dealing rate cut surprised more by its timing than its occurrence. Given the upward pressure on the pound, apparently despite intervention, and the enthusiasm for interest rate cuts displayed by the money markets, to have delayed a fall until the budget might have appeared just too politically motivated. In any case there is nothing to stop another rate cut on or soon after budget day.

The immediate reaction of the pound – a little dazed but by no means on the ropes – may indeed suggest that another interest rate cut will soon be necessary to ensure that it stays below DM 2.95 and 72.5 trade-weighted, which roughly seem to mark the authorities' boundaries. If one intention of the cut is to control reported inflation, at least another ½ percentage point will be needed before the building societies, who have clamoured for a 1½ point fall, oblige by cutting their mortgage rate.

Clearly the effect of the pound's strength on industry is another concern, reflected yesterday in the equity market's fall. Sterling's gain is a far more potent damper on shares than lower interest rates are a fuel. Any reversal in the trend of the pound against the D-Mark, slight though it has been in the context of the last few years, is a sell signal for ICI, Jaguar and all the other international players. Yesterday's sharp gain in discount house shares, supposedly pure beneficiaries of lower interest rates, perhaps forgot last week's pain. And the gilt-edged issue looks like a slap on the wrist for market makers who were so keen to make a profit on their positions that they forgot to push stock out to investors.



Renault/AMC

Renault's retreat from the US is industrially ignominious, but like some other great American disasters, it is partially redeemed by the enormous currency swings since the entanglement was made in the early 1980s. At a rough count, Renault has sunk about $750m into AMC over the past eight years, and is getting back a maximum of $550m. How fortunate, then, for the radical new management at Renault that even the present reduced standing of the dollar has not brought it back to the debased levels at which Renault began investing in the Carter years.

Depending on how Renault has accounted for the accumulated losses, it may conceivably emerge with a book profit to cushion its strategic failure. But it is hard not to see the rejuvenated Chrysler as picking up a terrific bargain (expressed in dollars).

IC Gas

Stockholders in Imperial Continental Gas Association who were finding it difficult to distinguish between the competing tender offers available from various parts of the Low Countries will be suffering the more acutely from double vision after yesterday's publication in the national press of the Belgian offer.

The Belgian tender document, apart from substituting new names for offerors and their advisers, and the (slightly) different value of the offer, appears to be identical to its Dutch predecessor, down to the last typographical detail. It even repeats verbatim the error in the offer devised by NM Rothschild of referring to the "shareholder" in IC Gas, rather than using the correct term, stockholder. Perhaps if Rothschild's client loses out in the tender battle, the merchant bank might console itself by claiming a consultancy fee from Messrs Dillon Read, Morgan Guaranty and Henry Ansbacher.

As was apparent when the Belgian consortium made its counterstroke last Friday, the stockholder should seriously consider voting all his stock simultaneously to both tenders. Unfortunately the offers demand physical delivery of share certificates. However, in the spirit of the League of Nations the competing advisers, with the nod from the Takeover Panel, have agreed to accommodate stockholders wishing to adopt the dual transferable voting strategy.

It also emerged yesterday that the original spotters of the undervaluation of IC Gas – the Barclay brothers – have sold most of their stock at a price of 720p. So as far as holdings not destined for the Continent are concerned, this may be – at last – the time to take some profits in the market.

Brierley Investments

It must be hard to be the leader in a narrow market such as New Zealand, but it is certainly odd that Mr Ron Brierley is fervently praying for the current 15 per cent setback in the stock market to turn into a full scale rout.

With interim attributable profits ahead two-and-a-half times to NZ$135m (£47.5m) and the full year likely to be up to NZ$330m (from NZ$179m) one would think that Brierley Investments Limited, which accounts for up to a quarter of share turnover in New Zealand, would wish to see its domestic bull running on for a good deal longer. However, overheating worries the cautious Mr Brierley, who regards himself as a fund manager on a more-or-less worldwide canvas.

Regrettably, the thin set of figures released with these results does not enable analysts to tell very much about the progress of BIL's NZ$2.2bn investment portfolio post the June year end.

New Zealand's high domestic interest rates (ranging from 17 per cent for quality long-term borrowers to 26 per cent on overdrafts) represent a treadmill a few over-geared local entrepreneurs will certainly fall off if share price rises do not come to their rescue.

BIL, which appears to have booked nearly as much profit from its overseas investments – including Tozer Kemsley in the UK – in these results as the whole group made in the first half of its 1985-86 year, would like first option on the pieces.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday March 10 1987

Supermarkets General faces $1.6bn takeover

BY WILLIAM HALL IN NEW YORK

SUPERMARKETS General, an east coast supermarket chain, yesterday became the latest in a growing list of major US retailers to receive unsolicited takeover bids and disclosed that a third party had offered to buy the company for $1.6bn.

In a brief statement yesterday morning, the New Jersey-based retailer said that it had received an unsolicited proposal to acquire the company at a price of $41.75 a share in cash. Supermarkets General shares had closed on Friday at $34⅞ and jumped by $6¾ to $41⅛ shortly after the announcement yesterday morning.

Supermarkets General, which operates 138 Pathmark Supermarkets as well as other chains of retail stores, has hired Shearson Lehman Brothers to advise the company's board of directors on the proposal.

The company did not disclose the name of the third party which had made the takeover proposal, but Wall Street sources indicated that the bid had come from the small Dart Group Corporation, controlled by the Haft family.

Dart has been active in the US retailing industry for some time but first hit the headlines last year when it mounted an aggressive bid for Safeway Stores, the biggest US supermarket chain.

Dart's bid for Safeway forced the latter to seek the help of Kohlberg, Kravis, Roberts, a New York investment firm, which arranged to take the firm private in a $5bn leveraged buy-out.

Although its bid for Safeway failed, Dart made a handsome profit on its investment. In its bid for Safeway, Dart was being advised by Drexel Burnham Lambert, the New York investment bank which has provided the so-called "junk bond," or high yield finance, for many contested takeover bids.

However, Wall Street sources said yesterday that Kidder Peabody was acting as Dart's adviser in the latest battle and had promised to raise the bulk of the financing.

For the nine months ended November 30, Supermarkets reported net income of $41.7m.

SPOTLIGHT ON TAKEOVERS IN US GAMING INDUSTRY

Trump wins battle for Resorts

BY JAMES BUCHAN IN NEW YORK

ROULETTE took a back seat to takeover activity in the US gaming industry yesterday as Mr Donald Trump, the New York property developer and casino operator, emerged victorious in the tangled struggle for control of Resorts International. A $840m bid was also launched for Ceasars World.

Resorts, which runs one casino in Atlantic City and is building a second there, said yesterday that a trust set up by the company's founder, which controls nearly half the heavy-voting Class B stock, had agreed to sell to Mr Trump, making him the most powerful casino operator in the eastern US.

Mr Trump's offer, at $135 a share for the Class B stock, will give him control of the company for $101m. Each of the 750,000 Class B share carries 100 times the voting rights of the 5.7m Class A shares in issue.

Just under 50 per cent of the Class B stock is controlled by a trust set up by Mr James Crosby, the founder of the company, before his death last April. Executors of the trust, which included the chairman of the company, Mr Henry Murphy, who was brother-in-law to Mr Crosby, had earlier rejected an offer at $135 a share from Mr Jack Pratt, a Dallas hotelier with a New Jersey gaming licence.

Mr Trump, who has recently made large profits from buying into casino operating companies, was apparently preferred as bidder because he is committed to developing the property assets of the company, including the Taj Mahal casino, which is under construction.

However, it was not clear how Mr Trump, who already owns two casinos in Atlantic City, would deal with a New Jersey law limiting operators to three casinos. In the past four months, Mr Trump has made more than $50m in profits from selling out holdings in Bally and Holiday Corporation.

Meanwhile, Caesars World is facing a tender offer at $28 a share from MTS Acquisition, a company formed by Mr Martin T. Sosnoff, a New York investor.

The bid, announced in a newspaper advertisement, will expire on April 3 unless extended. Mr Sosnoff already owns about 4m of Caesars' 30.3m shares outstanding, or about 13.3 per cent, and is Caesars' largest shareholder. In early trading yesterday, Caesars' shares were up $3½ to the $28 offer price.

Caesars owns casino hotels in Nevada and honeymoon resorts in Pennsylvania's Pocono Mountains. It also controls Caesars New Jersey, which owns an Atlantic City casino hotel.

For the second quarter ended January 31, Caesars World earned $12.6m on revenues of $190.4m, up from earnings of $7.5m and revenues of $163.8m a year before.

MTS said the offer was conditional on receipt of at least enough shares to give Mr Sosnoff a majority interest on a fully diluted basis and the arrangement of sufficient financing.

MTS said Marine Midland Banks had committed to lend it $100m for the acquisition and use its best efforts to syndicate another $400m in senior financing for the transaction.

Meanwhile, Paine Webber Group, MTS' financial adviser, had stated in writing that, subject to market conditions, it was "highly confident" that it could arrange commitments for up to $475m in mezzanine financing.

Pirelli advances 39% to $141m

By Alan Friedman in Milan

PIRELLI, the Italian tyre and cables group, yesterday announced a 1986 aggregate net profit of $141m, an increase of 39 per cent on 1985. The improved profit was struck on group sales of $4.71bn, which compare with 1985 sales of $3.67bn.

The $1bn increase in group revenues includes a first-time contribution of $335m from Metzeler, the West German tyre and rubber products company which Pirelli acquired from Bayer.

The overall 28 per cent increase in revenues also reflects the conversion of European and other currencies into US dollars for accounting purposes – some 70 per cent of Pirelli group revenues are non-dollar based. When these factors are taken into consideration, Pirelli group sales rose by a more modest 6 per cent.

Pirelli publishes what it calls an aggregate result rather than producing a consolidated balance sheet because of its complex shareholding structure (the group's operating companies are controlled partly by Swiss and partly by Italian holding companies).

All parts of the Pirelli group were profitable last year except for the US cable operations, where losses continued and two cable factories were closed. Pirelli said it could not yet disclose the 1986 US loss but that it was similar to the level in 1985, when the deficit was $12m.

The cables business, which last year represented 38.5 per cent of group sales, had 1986 revenues of $1.8bn, an increase of 13 per cent in nominal terms and 7 per cent in terms of physical volume according to the Milan-based company.

The tyres business, with $2.1bn of turnover, made up 43.9 per cent of group sales in 1986 and experienced a 5 per cent rise in volume against a world market growth rate of around 2 per cent. Pirelli said it had been especially successful in the North American and Japanese tyre markets, with sales of $90m and $50m.

Pirelli's diversified products division, into which most of Metzeler revenue has been channelled, had 1986 turnover of $630m.

FIRST BOSTON IN DEAL WITH TROUBLED US CONGLOMERATE

Allegheny agrees $500m merger

BY OUR FINANCIAL STAFF

Mr Robert Buckley, who resigned last year as chairman

ALLEGHENY International, the troubled US conglomerate with interests including Sunbeam and Wilkinson Sword consumer products, has agreed to merge with an affiliate of First Boston, the US investment bank, in a transaction valued at about $500m.

Allegheny also reported a 1986 loss yesterday from continuing operations of $198.1m on sales of $1.3bn. In 1985, its loss from continuing operations was $82.2m on sales of $1.4bn.

Allegheny, whose former chairman, Mr Robert Buckley, resigned last summer amid allegations accusing company directors of self-dealing and wasting corporate assets, said the agreement called for holders of its common to receive $24.60 a share.

Holders of the company's $2.19 cumulative preference shares will receive $20 a share and those owning its $11.25 convertible preferred will receive $87.50 a share.

Allegheny said the agreement called for the First Boston affiliate to launch a cash tender offer for all outstanding shares of Allegheny's common, cumulative preferred and convertible preferred. First Boston had commited itself to providing all necessary financing.

The agreement is also subject to the waiver by March 13 of certain conditions under the company's existing bank credit agreement. Allegheny's statement did not name or describe the First Boston affiliate involved in the agreement.

It said the offer for the company's stock would also be conditional on the valid tender of securities representing at least a majority of the voting power for the election of directors of the company.

Detailing its results for 1986, Allegheny said earnings from discontinued operations of $34.1m reduced the final loss to $164m. In 1985, a loss from discontinued operations of $26.9m made a final loss of $109.1m. Sales fell to $1.3bn from $1.44bn.

In the fourth quarter, losses from continuing operations were $150.9m against $37.8m a year earlier.

Allegheny said it expected a future increase in tangible net worth from the anticipated sale of its Wilkinson Sword subsidiary and its Pacific appliance group, which includes its Sunbeam Australia unit, under recently signed letters of intent.

Icahn blocked from acquiring USAir shares

By Our Financial Staff

MR CARL ICAHN, the corporate raider, and Trans World Airlines, the large US carrier which he owns, have been prevented from acquiring more USAir shares under a temporary restraining order.

The order was issued after USAir, the US airline which is the target of a hostile $1.4bn bid by TWA, had filed a suit alleging that Mr Icahn and TWA had wilfully violated several federal laws and made misleading statements to government agencies.

Last week TWA said it had acquired 15 per cent of USAir equity. This was well in excess of the level that could be obtained legally under the provisions of the Hart-Scott-Rodino Act and the Federal Aviation Act, USAir said.

On Friday, the Department of Transportation, with the support of the Department of Justice, rejected TWA's application to secure control of USAir saying that it "clearly fails to comply with" federal law. The bidder said it would immediately re-file its application and continue to buy shares.

New York State files suit against insurers

BY OUR NEW YORK STAFF

THE NEW YORK Superintendent of Insurance has filed a $140m lawsuit against Frank B. Hall, the troubled US insurance brokerage firm, and its auditors, Touche Ross, in a bid to recoup the losses arising from the insolvency of one of Hall's insurance subsidiaries.

The New York authorities' decision to sue Frank B. Hall, Touche Ross, a group of Hall subsidiaries and former officers and directors of Union Indemnity, the Hall subsidiary which was placed in liquidation in July 1985, is highly unusual. It highlights the question of who is responsible for picking up the pieces of a failed insurance company.

The lawsuit alleges that Frank B. Hall "neglected and abused" Union Indemnity and used it as a loss leader. It also alleges that Touche Ross, the auditors, were negligent in their duties.

The New York Insurance Department said that it felt strongly that the insolvency of Union Indemnity was the result of misconduct rather than the general recession in the insurance industry which has led to sizable losses at some rival insurance companies.

The department said that at the end of 1984 Union Indemnity, which specialised in insuring construction contracts, was insolvent by $138.5m Frank B. Hall, the world's third-biggest insurance broker with over 200 offices in the US and overseas, argued that the figure was far less and that the total amount was academic because its exposure was limited to its $14.5m investment in the unit.

The case has attracted considerable interest in the insurance industry where there has been growing concern at the flimsy safety nets supposed to protect policy-holders of failed insurance companies.

Frank B. Hall, which expects to release its 1986 results next week, said yesterday that it was "surprised and disappointed" by the filing of the lawsuit.

Kis problems confirmed by bank move

By David Housego in Paris

THE GROWING problems of Kis, the French manufacturer of instant camera equipment in the US, were indirectly confirmed yesterday when Société Générale, the French state-owned bank, said it was ending all financial ties with the group. Société Générale said it had constituted provisions against loans made on Kis equipment in the US.

Société Générale said that it had lent $98m through its Sogelease Corp subsidiary to finance sales of Kis mini-labs in the US. But it said that such financing had ceased from February 13 when it had ended its agreements with Kis and that lending had been much reduced since July last year.

The statement by the bank followed an article in the current issue of Business Week under the heading "Is Kis beating a retreat from the US?" The article said the Kis Corp, the group's US subsidiary, had in February ceased direct sales of its photo-labs in the US which have been heavily financed by Sogelease.

Euroc surplus down by 7%

By Sara Webb in Stockholm

EUROC, the Swedish building materials, engineering and trading group, reported a 6.8 per cent fall in profit (before provisions and taxes) to SKr 205m ($31.8m) in 1986, compared with SKr 220m the previous year.

Group sales increased by 16 per cent to SKr 6.24bn, compared with SKr 5.38bn in 1985.

Dynapac, the construction machinery division, continued to show heavy losses because of lower demand and overcapacity.

Extraordinary costs connected with the reorganisation of Dynapac amounted to SKr 353m but were partly offset by extraordinary gains of SKr 244m, chiefly from the sale of real estate.

Profits from the building materials division more than doubled. Euroc expects to see an improvement in the Swedish building and construction sector and forecasts increased profits in 1987 though this is largely dependent on how Dynapac performs.

The board proposes increasing the dividend from SKr 5.00 to SKr 5.50.

Total plans FFr 3.5bn boost for reserves

BY PAUL BETTS IN PARIS

TOTAL Compagnie Française des Pétroles (CFP) is planning to spend about FFr 3.5bn ($572m) to buy new oil assets this year in an effort to increase its overall reserves.

The company, which is stepping up its oil and gas production investments to FFr 7.5bn this year from FFr 5.3bn last year, spent FFr 750m last month buying the oil assets of Texas International in the US.

But the French oil group intends to pursue actively its oil reserve acquisition policy especially to build up its assets in North America. Last December, Total bought out Lear Petroleum Partners for US$115m as part of its US oil reserve acquisition policy.

The company is now expected to seek new opportunities to acquire oil reserves in what are regarded as "good risk" areas. The company is particularly interested in the US and the North Sea.

Total's more aggressive approach to acquiring new reserves reflects the improvement in the group's financial situation. Although Total expects to report a net consolidated loss of FFr 1.5bn for 1986 compared with a profit of FFr 1.42bn the year before, the figures reflect the Fifo (first in, first out) accounting impact of stock write-downs on the group's figures.

Indeed, on a Lifo (last in, first out) basis, Total's net earnings excluding minority interests will amount to FFr 4.8bn last year compared with consolidated earnings of FFr 3bn in 1985 on the same Lifo accounting basis.

The different accounting methods of the various French oil companies have long provoked confusion and controversy in the French oil industry and among securities analysts.

While Total has traditionally presented its consolidated group accounts on a Fifo basis, its rival Elf-Aquitaine has opted for the Lifo method to report its consolidated earnings.

Although Elf's earnings have traditionally placed the state-controlled oil group at the top of the French corporate profits league, if the same Lifo method is used, Total's net group earnings excluding minority interests last year of FFr 4.8bn will be higher than the net earnings of FFr 4.3bn recently reported by Elf for 1986.

With the Fifo method, however, Total's performance is hit by heavy stock write-downs reflecting the decline in oil and dollar prices. The overall stock write-down amounted to a loss of FFr 7.5bn last year compared with a loss of FFr 2bn the year before. If minority interests are excluded, the stock write-down last year showed a loss of FFr 5.3bn compared with a loss of FFr 1.5bn the year before.

Total's cash flow on a Lifo basis rose to FFr 11.5bn last year from FFr 9.9bn the year before while on a Fifo basis it declined to FFr 4.1bn last year from FFr 7.9bn the previous year.

As a result of the group's overall improvement in economic performance, Total has decided to increase its gross investment spending this year to FFr 12.8bn compared with FFr 10.2bn last year and FFr 10.9bn the year before.

The sharpest increase in investment spending involves the production budget and the reserve acquisition policy. By contrast, exploration investments will remain relatively flat this year at FFr 1.5bn - FFr 1.6bn. Downstream refining and marketing investments are expected to rise to FFr 2.3bn this year from FFr 1.9bn last year while financial investments will rise to FFr 800m this year from FFr 600m last year.

The increase reflects Total's recent acquisition of a 3 per cent stake in Paribas, the privatised French *banque d'affaires*, for about FFr 600m. Total had originally sought to buy 4 per cent

Walt Disney to buy Gencorp TV station

BY OUR FINANCIAL STAFF

GENCORP, the US tyres, plastics and aerospace group, said its RKO General subsidiary had agreed to sell KHJ-TV in Los Angeles to Walt Disney, the leisure and entertainment group, for $217m cash plus working capital.

Under the agreement in principle, RKO's application to renew the station's broadcast licence would be dismissed, and the competing application of Fidelity Television, a Los Angeles investor group, would be granted. Disney would then acquire privately held Fidelity for about $103m and other adjustments.

Renewal of the KHJ-TV licence has been challenged in regulatory proceedings for more than 20 years. The deal is subject to prior approval by the Federal Communications Commission, the company said.

Late in 1985, Gencorp reached a deal with Fidelity and Westinghouse Electric to settle the licence proceedings and sell KHJ-TV for $313m, 70 per cent of which would go to Fidelity and the remainder to Westhinghouse. But earlier this year, Westinghouse withdrew from the deal because the FCC would not approve it.

Fidelity originally filed a competing application for the RKO licence for KHJ, an independent station, in 1965. In 1980, the FCC disqualified RKO as licensee of WNAC-TV in Boston, citing anti-competitive trade practices and inaccurate financial reporting to the agency. This caused renewals previously granted to RKO in New York, for WOR-TV in New Jersey, and to RKO in Los Angeles, for KHJ, to be denied.

Holmens Bruk ahead

BY OUR STOCKHOLM CORRESPONDENT

HOLMENS BRUK, the Swedish forest products gorup, reported a 24 per cent increase in profits after financial items to SKr 371m ($57.8m) in 1986, compared with SKr 300m a year ago.

Sales were boosted by 70 per cent to SKr 6.426bn, compared with SKr 3.79bn in 1985, chiefly because of the acquisition at the beginning of 1986 of Fiskeby, another Swedish forest products company.

There will be a 1:5 new share emission with shares offered at SKr 225, followed by a 1:1 bonus issue.

The board proposes increasing the dividend from SKr 8.30 to SKr 9.75. Holmens Bruk expects sales to increase by 5 per cent in 1987 accompanied by a substantial increase in profits.

Holmens Bruk has agreed to acquire 25.1 per cent of the West German paper mill, MD Papierfabriken Heinrich Nicolaus, which has a capacity of 350,000 tons a year.

Holmens Bruk is paying SKr 300 for the stake through a directed share emission.

Ahold to raise payout

BY OUR FINANCIAL STAFF

AHOLD, the Dutch grocery chain which operates through Albert Heijn and Miro stores, reports higher profits for 1986 and is again lifting its dividend.

Despite lower turnover, net profits for last year improved to Fl 132.4m ($64.8m) from the Fl 122m of 1985. Ahold is pushing up its dividend to Fl 1.40 a share from Fl 1.35.

Sales dipped to Fl 11.6bn from Fl 12.1bn a year earlier. The group makes around an eighth of its revenue in the US, and the decline over the past 12 months in the dollar has obviously eaten into overall returns.

Ahold operates as a grocery and general merchandise retailer. Its earnings per share eased down to Fl 7.05 from Fl 7.38 in 1985.

N. American quarterlies

AMERICAN INTERNATIONAL GP.
Insurance holding company

Fourth quarter	1986-87 $	1985-86 $
Revenue	—	—
Net profits	[illegible]	180.1m
Net per share	1.83	0.77
Year		
Revenue	—	—
Net profits	795.8m	420.8m
Net per share	4.38	2.76

Includes gains of $[illegible] in 1986, against $57m

FORD MOTOR OF CANADA
Vehicles

Fourth quarter	1986-87 C$	1985-86 C$
Revenue	3.67bn	[illegible]
Net profits	67.7m	4.6m
Net per share	8.17	[illegible]
Year		
Revenue	14.89bn	13.28bn
Net profits	101.1m	[illegible]
Net per share	12.19	26

AMERICAN STORES
Retailing

Fourth quarter	1986/7 $	1985/6 $
Revenue	3.66bn	3.64bn
Net profits	*55.6m	65.5m
Net per share	1.57	1.80
Year		
Revenue	14.021bn	13.89bn
Net profits	144.5m	184.5m
Net per share	3.75	4.11

* Includes $[illegible] charge

FOXBORO
Instrumentation eqpt.

Fourth quarter	1986/7 $	1985/6 $
Revenue	142.5m	[illegible]
Op net profits	†199,000	32.7m
Op net per share	†0.01	12.65
Twelve months		
Revenue	544m	572.5m
Op net profits	7m	134.2m
Op net per share	0.57	12.75

† Loss

ASHTON-TATE
Software

Fourth quarter	1986-87 $	1985-86 $
Revenue	62.9m	41.5m
Net profits	10.6m	5.9m
Net per share	0.43	0.30
Year		
Revenue	210.8m	121.6m
Net profits	30.1m	10.6m
Net per share	1.25	0.55

WAL-MART STORES
Retailing

Fourth quarter	1986-87 $	1985-86 $
Revenue	3.8bn	2.8bn
Net profits	184.3m	133m
Net per share	0.65	0.47
Year		
Revenue	11.9bn	8.5bn
Net profits	450.1m	327.5m
Net per share	1.59	1.16

BRANIFF
Airline

Fourth quarter	1986/7 $	1985/6 $
Revenue	60.3m	53.6m
Net profits	†14.5m	1.5m
Net per share	†0.57	†0.12
Year		
Revenue	236.5m	244.2m
Net profits	†19m	23m
Net per share	†0.74	1.57

† Loss

WILLIAMS
Pipelines, energy

Fourth quarter	1986-87 $	1985-86 $
Revenue	521.1m	716.9m
Net profits	†232.2m	10.7m
Net per share	†6.75	0.31
Year		
Revenue	1.9bn	2.5bn
Net profits	†240m	31.6m
Net per share	†6.97	0.92

† Loss reflects $250m 4 Q charge

Sweden unlucky on timing with Eurosterling deal

BY CLARE PEARSON

ATTENTION in the Eurobond market focussed on the Euro sterling sector yesterday, with two new deals totalling £160m emerging.

Eurosterling bonds initially traded firmly in response to the strength of sterling and the gilt market, although prices fell by around ¼ percentage point in the afternoon after the ½ percentage point cut in bank base lending rates and the announcemet of a £1bn gilt tap issue.

The timing of Sweden's 10-year £100m deal was unlucky, since it immediately preceded the announcement of the tap, which was of the same maturity. But dealers said it had met an unfavourable response even before this announcement.

Its main drawback was that it incorporated a call option after seven years. Call options on Eurosterling bonds have proved unpopular and dealers said they needed to be priced to give generous compensation to the investor for his uncertainty over when the bond will mature.

Baring Brothers, which led Sweden's 9½ per cent issue, priced the call option to give a yield of 9.67 per cent—only five basis points better than the 9.62 per cent yield to maturity, which at launch represented a slim margin of about three basis points over the comparable gilt.

The bond was quoted at about less 2½ points bid, well outside its 2 per cent fees. The issue price was 101½, and the call option was priced at 100½.

Elsewhere, Swiss Bank Corporation International found a much more enthusiastic response to its £60m convertible bond for Storehouse, the UK retailing group. The 14½ year issue followed a crop of other recent equity-linked issues for UK retailing companies.

There were some reservations

INTERNATIONAL BONDS

about whether European investors would be familiar with the borrower's name, though some of its outlets such as Habitat and Mothercare are well known. Nevertheless, the issue traded initially at around 104½, well above its par issue price.

The deal has an indicated coupon of 4¼ to 4½ per cent and the indicated conversion premium is five to 10 per cent. It is callable at 106 after six years, and then at declining premiums, and can be put after five years. The yield to put is expected to be between 8¾ and 9 per cent. Final terms will be fixed on or before this Friday.

Elsewhere, Eurodollar fixed-rate bond prices were generally marked lower yesterday. One new deal emerged: a $150m five-year issue for BFCE, led by Societe Generale. The 7 per cent issue was priced at par. It was quoted at prices just inside its 1½ per cent fees.

Euroyen bond prices were unchanged. LTCB International led a Y10bn five-year issue for Union Bank of Finland. The 5 per cent bond, priced at 102½, was quoted at discounts around the level of its 1½ per cent fees.

Daiwa Europe, meanwhile, led a Y13bn (nominal) five-year zero-coupon bond for Christiana Bank. The deal was priced at 80.9 per cent. The lead manager said that overall interest for zero-coupon bonds in the Euroyen sector was low, but it was aware of specific pockets of demand for this type of bond.

Late in the day, IBJ International announced a Y18.23bn 8½-year dual currency issue for Banque Nationale de Paris. The 7 per cent deal is priced at 101½. The redemption amount is fixed at an exchange rate of Y134.95 to the dollar.

The Ecu sector was buoyed up by the strength of sterling, and Nomura International led an Ecu 50m five-year issue for Nisshin International Finance (Netherlands), a subsidiary of Nisshin Steel. The 7½ per cent issue was priced at 101½, and was quoted at prices just outside its fees.

The Australian dollar market was still struggling to absorb the large amount of new paper that has been launched recently. County NatWest Capital Markets led an A$40m three-year issue for Unilever Australia, guaranteed by the parent company. The 14¾ per cent issue was priced at 101½.

Trading in the D-Mark market was thin, and prices were marked down by about ¼ point.

In Switzerland, price changes were narrowly mixed although dealers said there was a slightly firmer bias. The SFr 30m 4½ per cent tranche of Cofiroute's two-tranche issue closed at 98½, unchanged from its first day's closing level last Friday. The SFr 50m 4¾ per cent tranche closed at 98½, down a ½ point from Friday's closing level. Both tranches were issued at 100½.

EuroRatings grades 45 issuers

EURORATINGS, the first credit rating agency set up exclusively to serve the Euromarkets, yesterday announced its first 90 ratings for 45 Euromarket issuers. These included some first-time long and short-term ratings for banks and industrial companies.

The main shareholders of EuroRatings, which operates from London, are Fitch Investors Service, the New York rating agency with 40 per cent and Compagnie Belge d'Assurance-Credit, a subsidiary of Societe Generale de Belgique, with 15 per cent.

Long-term debt ratings range between AAA and single C, and those of short-term obligations, including EuroCommercial paper, between E1-plus and E4.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.78
A/S Eksportfinans 7⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.71
Australia Com. 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.15
Austria 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.90
BP Capital 9⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.77
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Expr. OS Cr. 5⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60
Denmark 6⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.17
Denmark, Kingdom 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.83
EEC 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.77
Sweden, Kingdom 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.56
Settsu Euro. 0 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.02
Tohoku Elec. Pwr. 4⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.26
USX Corpn. 5⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day +0¼ on week +0½

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Roderick Oram explains why the Big Board threw its rule book at London's dealers

NYSE grasps the electronic trading nettle

TO THE New York Stock Exchange, over-the-counter markets are an absolute anathema, as the London Stock Exchange discovered last week when the two of them got into a slanging match about what constitutes an acceptable system for trading shares.

The NYSE reminded its members that during the hours it was open they were forbidden from making markets in London on some 200 shares listed on both exchanges. It said that London ceased to be a fit and proper exchange because it was closing its floor and doing all trades through electronic systems.

The NYSE has been vigorously defending for at least 15 years its floor-based auction market against the rapid encroachment of electronic over-the-counter systems, in which dealers make markets in a selection of shares. But behind the NYSE's rhetoric about the purity of the auction market lies a series of accommodations to the fast changing world as it has fought to maintain its dominant position.

For example, member firms can trade over-the-counter in the US any share listed on the NYSE after 1979—which includes a number of leading stocks such as American Express and Anheuser-Busch, the brewer of Budweiser beer.

In fact, there is little OTC volume in these stocks because the member firms have made a philosophical commitment to the NYSE auction system. They have stumped up about $200m over the past decade to build the exchange's electronic systems to keep it a competitive place to execute trades. Trading volume has increased 30-fold in the past 20 years to a daily average of around 160m shares with a daily record of 302m set on January 23.

Despite the automation, the auction system remains in place on the exchange floor. The key players are about 400 "specialists" from 50 member firms, who are responsible for maintaining orderly markets in a small selection of shares. They use their own capital to run a book of their shares, buying when brokers are trying to sell and vice versa.

Two key rules are that all shares have to be auctioned by floor brokers representing the buy and sell side in front of the specialists, and that the price is the best available on any exchange. The NYSE is linked electronically to regional US exchanges which in effect creates a system of competing market makers, a principle at the heart of OTC trading.

Huge order flows and electronic systems mean in reality that specialists are involved directly only in middle-sized orders. These are a relatively small and falling proportion of trades, although a large enough proportion to influence heavily the prevailing price.

Small orders are executed automatically by the electronic systems at the price of the previous trade, so that theoretically a small investor selling one IBM share gets the same price as an institution selling a block. Larger orders of blocks or baskets of shares are typically arranged between brokerage houses off the floor but have to get the specialist's nod on the floor.

The main threat to the NYSE has come from the National Association of Security Dealers' Automated Quotations (Nasdaq) system which is an electronic over-the-counter market. While its claims of lower listing costs are true, the subject of more efficient and cheaper execution is debatable.

While the NYSE has stagnated since the early 1970s at

Mr John Phelan, chairman of the New York Stock Exchange

around 1,550 companies listed, Nasdaq's listings have doubled to more than 4,300. Meanwhile, the NYSE market share has declined from 70 per cent of the 7.7bn shares traded in 1976 to 51 per cent of the more than 70bn last year. Nasdaq's share rose from 22 per cent to 44 per cent. The American Stock Exchange, which operates a specialist auction system, dropped from a market share of 8.4 per cent to 4.8 per cent while its listings fell from 1,215 to 780.

In value terms, however, the NYSE has suffered less erosion of its position because the average value of an NYSE share is many times that of a Nasdaq share, which is typically of the smaller company size.

Nasdaq is criticised by the public and the NYSE for several aspects of its market performance. Complaints have included a wider spread between bid and ask price than on the NYSE and the occasional incident of brokers trading shares on their own acounts ahead of customer orders.

There have also been documented cases of market-making dealers stepping back from trading to force a customer to trade with only one dealer on the dealer's terms. Moreover, because the Nasdaq has many small, low-volume issues it could be more vulnerable to ramping and other forms of manipulation.

One of the most illuminating examples of the markets' different performances came on December 3, 1985, when British Telecom was floated. The NYSE traded 13m of BT's American Depository Receipts with a high of $11¼, a low of $10⅞ and a close of $11. Nasdaq traded 3.4m with price levels of $11¼, $9½ and $10⅞.

While the NYSE takes delight in pointing out such occurrences as irrefutable evidence of the superiority of its auction system compared with the over-the-counter market, a more impartial judge, in the form of the Securities and Exchange Commission, holds no such view.

The Washington agency, which regulates the US securities industry, has no preference for one system over the other. Its job is to ensure the proper functioning of both, said Mr Richard Ketchum, the SEC's head of market regulation. For all the apparent conflict of interest in an OTC system where the dealer is also the market maker, "we have never concluded that the conflict cannot be regulated."

But for all its high-minded defence of the auction system, the NYSE has adapted rapidly to change and in all probability will continue to do so. Mr John Phelan, its chairman, who began life on the exchange floor as a specialist in his father's firm, has repeatedly said that specialists are not a protected species. They would be replaced if and when a better system is developed.

For several years, for example, the NYSE has been talking about developing a "non-traditional" system for handling trading out of exchange hours of the 220 or so stocks which make up about 58 per cent of its trading volume.

The commitment to that was reiterated recently by Mr Richard Grasso, an NYSE executive vice president. He told a financial futures conference in New York that as globalisation of markets grows apace "we will find ways to keep the volume on shore or it will follow the sun."

In the short term the exchange appears to have taken the crude approach of invoking its rules against London trading. But the longer term will no doubt see some form of electronic system for the top 220 which will bear more than a passing resemblance to London's.

BMW adopts annuities to raise DM 624m

By Andrew Fisher in Frankfurt

BMW, the West German luxury car maker, is raising DM 624m ($340m) through a complex issue of annuity bonds, a capital market innovation aimed at private investors seeking future income at set dates.

The Munich-based company will use the money to help finance the costly research and engineering centre it is building in the city at a cost of about DM 1bn into the 1990s.

Investors can use for such purposes as adding to their retirement income or financing their children's future education, are being issued in five tranches to be redeemed after redemption-free periods lasting between five and 25 years.

The annuity periods will run for five years. The bonds are being issued by a syndicate headed by Deutsche Bank and will be quoted on the Frankfurt stock exchange. The car company is making the issue through BMW Finance, based in the Netherlands.

There will be no periodic payments of interest on the bonds, on which the annuity payments will be made in the final five years of issue. The bonds are being issued as follows:

- DM 118m for 10 years to yield 6.25 per cent.
- DM 85m for 15 years to yield 6.625 per cent.
- DM 57m for 20 years to yield 7 per cent.
- DM 39m for 25 years to yield 7.125 per cent.
- DM 27m for 30 years to yield 7.25 per cent.

The annual annuities for each DM 1,000 invested will be DM 342 (or a total of DM 1,618 over the five redemption years) for the first tranche, DM 459 (DM 2,293) for the second, DM 673 (DM 3,364) for the third, DM 969 (DM 4,847) for the fourth, and DM 1,412 (DM 7,063) for the fifth.

Welsh mill helps UPM earnings

By Olli Virtanen in Helsinki

United Paper Mills, the Finnish forest industry group, reports that profits during 1986 benefited from a strong good performance at Shotton Paper Mills, the North Wales newsprint mill it bought in 1985.

However, lower foreign exchange earnings reduced profit before appropriations and taxes from FM 476 (£105m) in 1985 to FM 402m last year. Turnover grew by 2.6 per cent to FM 4,781m, some FM 400m short of target.

Lower energy prices and energy taxes, together with improved demand for newsprint and magazine paper contributed to improved results.

The group's net debt fell from 54 per cent of the turnover to 49 per cent while net interest expenses decreased from 3 per cent to 2.8 per cent. Total new investment in 1986 amounted to FM 778m.

In 1985 UPM invested a total of FM 968m, the bulk of which went to Shotton, which had its full operational year in 1986. The plant produced 173,000 tonnes of newsprint last year. The preliminary figures do not include detailed figures for Shotton.

Germany to keep turnover tax

BY OUR FRANKFURT CORRESPONDENT

WEST GERMANY'S stock exchange turnover tax, whose abolitionhas long been called for by the Bundesbank and the Frankfurt securities markets, looks like staying for a while yet, much to the annoyance of the junior partner in the conservative coalition government.

Despite repeated assurances that the tax, which raised around DM 750m ($405m) last year, would soon be abolished, Mr Gerhard Stoltenberg, the Finance Minister, has decided the Government still needs the revenues.

Mr Stoltenberg, a member of the Christian Democratic Union (CDU), the majority partner in the coalition, had previously indicated that the turnover tax would be abolished in the interests of promoting Frankfurt's status as a financal centre.

The tax, levied at 0.25 per cent on secondary dealings in stocks and foreign D-Mark bonds, has encouraged the shift of such trading elsewhere. In the recent coalition talks with the Free Democrats (FDP), the junior coalition member, after the January general election victory, the dropping of the tax was not mentioned as part of the agreed tax reform package.

The FDP has said it will continue to push for the tax to be dropped, however. Mr Hans Gattermann, the FDP's tax expert, has criticised Mr Stoltenberg's refusal to drop the tax this time.

The Finance Ministry in Bonn said that, together with the 1 per cent tax on new share issues, Mr Stoltenberg was concerned about the loss of some DM 1.2bn of revenues if stock exchange taxes were dropped. These would have to be met from elsewhere.

Europaper for Pharmacia

By Alexander Nicoll

PHARMACIA, the Swedish pharmaceuticals group, is making its first venture into the Euromarkets with a $200m Eurocommercial paper programme which will be used to replace bridging finance arranged to fund a series of recent acquisitions.

Morgan Stanley International is arranger of the programme, with Credit Suisse First Boston and Svenska Handelsbanken as additional dealers.

Pharmacia said yesterday that the company is also considering a domestic commercial paper programme.

Negara takes control of two ailing banks

BY WONG SULONG IN KUALA LUMPUR

BANK NEGARA, Malaysia's central bank, has acquired a controlling interest in two ailing banks as part of a rescue plan.

The two are United Asian Bank and Perwira Habib Bank, respectively the country's fourth and sixth largest locally incorporated banks.

UAB had made a two-for-one rights issue last November to raise 152m ringgit (US$60.25m). Bank Negara had to take up 135.5m ringgit of the issue, giving it a 59.2 per cent stake in the enlarged capital.

Three Indian banks, which did not take up their rights entitlement, had their stake reduced from 33 per cent to 11 per cent.

In the case of Perwira Habib Bank, a rights issue of 300m ringgit was made last January, of which only 100m ringgit was taken up by LTAT, the Malaysian armed forces co-operative.

Bank Negara had to take up the unsubscribed portion, giving it a 49.4 per cent stake in the enlarged paid-up capital of 405m ringgit.

LTAT's stake in Perwira Habib remained at 36.7 per cent, while that of its two other partners, Habib Bank of Pakistan and Syarikat Permodalan Kebangsaan, have been reduced to 6.2 per cent and 7.7 per cent respectively.

Bank Negara said it intends to hold the shares in trust until it could find suitable partners to take up stakes in the two banks.

UAB incurred an after-tax loss of more than 140m ringgit for two years in 1984 and 1985. Perwira Habib suffered an 18m ringgit loss in 1984. Its accounts for 1985 and 1986 have not yet been endorsed by Bank Negara, and are believed to show substantial losses.

Repair side aids recovery at Singapore shipyard

BY STEVEN BUTLER, SINGAPORE CORRESPONDENT

SEMBAWANG SHIPYARD, the Singapore government-controlled shipbuilding and repair group, has reported profits of S$12.42m (US$5.8m) in 1986, moving the group firmly into the black after posting a loss of S$45.49m in 1985. The figures are after tax and extraordinary items.

The return to profits arises from a sharp rise in Sembawang's shiprepair business, which results mainly from the increased tanker traffic for the Middle East and Japan. The company also credited a variety of cost reduction measures for the improved performance.

Turnover rose 45 per cent to S$160.67m. The 1985 results were heavily affected by revaluation of vessels and write-offs of amounts due from wholly owned subsidiaries, although operating profits were also in the red.

The group expects to maintain its performance in 1987.

● Jardine Insurance Brokers Asia, a wholly-owned unit of Jardine Matheson Holdings, the Hong Kong trading house, has acquired Bergvall Far East, a Singapore-based marine insurance broker, Reuter reports from Hong Kong.

● Aetna Life and Casualty of the US has agreed to acquire a 49 per cent interest in Universal Life and General Assurance, a Malaysian composite insurance company, Reuter adds from Hartford, Connecticut.

The company said the balance will continue to be owned by the Malaysia Apera Group

Sumitomo Metal alters strategy on financing

By Yoko Shibata in Tokyo

SUMITOMO Metal Industries, the Japanese integrated steelmaker, is to establish financial subsidiaries in London and Osaka next month in order to improve procurement and management of funds.

It thus becomes the second major blast furnace steelmaker to establish a financial company in Japan and the third to do so overseas.

The company had initially opposed manufacturers' engagement in "zaitech" (producing money purely from financial operations) as an unwarranted deviation from their traditional mainline businesses. However, the country's devastating steel recession caused largely by the rise in the yen has left Sumitomo little choice but to seek a diversification of its business and what it calls the "pursuit of maximum efficiency in the use of managerial fund resources."

Sumitomo Metal joins some 80 of Japan's industrial groups which have financial subsidiaries overseas for fund raising and asset management. These are not only export-oriented manufacturers but also companies such as Mitsui OSK Line, labouring under a shipping recession, which has recently set up financial outlets in Amsterdam, Luxembourg, Singapore and Japan.

In the year which ends this month, MOL is expected to plunge into the red at operating profit stage

Mr Kiichiro Afura, its president, said: "Management of investment assets is now becoming our main business." These amounted to Y160bn ($1.04bn) by last September, surpassing the value of its owned vessels which totalled Y147bn.

Brierley group up 155% midway

BY DAI HAYWARD IN WELLINGTON

BRIERLEY INVESTMENTS (BIL), Mr Ron Brierley's New Zealand master company, lifted net profits by 155 per cent to a record NZ$135.33m (US$75.41m) for the six months to December, and is on target to be the first in New Zealand to record annual earnings of more than NZ$300m.

In the previous year the outcome for the first six months was NZ$52.9m and for the full year NZ$179.4m.

In the past BIL has returned a much bigger profit in the second half of the year and, although Mr Paul Collins, the chief executive, says the full-year results would be "less than indicated" by the trend of the interim results over past years, the outlook remains satisfactory.

An unchanged interim dividend of 4.5 cents will be paid. The company is confident of maintaining an annual dividend rate of 20 per cent, or 10 cents a share, even though its capital has been increased substantially.

During the period BIL bought a controlling stake in Magnum Corporation. Mr Brierley used this vehicle to gain control of Dominion Breweries, New Zealand's second largest brewing and hotel group.

The cost of the Magnum share buying reduced the latest results. This was because the company wrote down the cost price of the magnum shares to underlying net asset backing.

Turnover at NZ$2.28bn was 20 per cent ahead. Provision for tax purposes has been set at NZ$59.8m compared with NZ$25.3m.

Since December, issued capital has been increased from 747.6m shares to 1.07bn shares.

● The recently established Coronet Equities NZ is to float a new subsidiary in the New Zealand market, to be called Coronet United Kingdom, which will invest in British industrial and manufacturing companies.

The issue will raise NZ$35.1m (US$19.8m). The company says Coronet UK will try to obtain a controlling interest in companies which it believes have undervalued assets and strong cash flow.

For each share subscribed, at 60 cents, the investor will be given one free option for a further share in Coronet UK for 50 cents in February 1989. Shareholders in Coronet NZ—set up earlier this year by Mr Ian Joye, an Australian entrepreneur—will be offered shares in the new company.

Joining Mr Joye on the board of Coronet UK will be Mr Nicholas Cobbold, a former partner in two London stockbroking firms. Mr John Parker and Mr Michael Sharwood, both of Australia, will also be directors.

See Lex

Strong advance at Applied Electronics

By David Dodwell in Hong Kong

APPLIED ELECTRONICS of Hong Kong yesterday reported interim profits of HK$15.25m (US$1.96m) for the six months to December, up 85 per cent against a weak sectoral trend.

Mr Raymond Hung, founder chairman of the group, is also mounting a one-for-five rights issue intended to raise HK$50m for investment in high technology equipment and production.

As part of the issue, Mr Hung disclosed that European Pacific Investments (EPA)—a recently formed Luxembourg group made up of the Bank of New Zealand, Brierley Investments, and the merchant bank Capital Markets, all based in New Zealand—will be taking a 12 per cent stake in the group in exchange for an investment of about HK$40m.

EPA has an option to extend its holding to 30 per cent.

Mr Hung's plans mark a reversal of changes introduced in recent years.

Messina returns to the black

BY OUR JOHANNESBURG CORRESPONDENT

MESSINA, the South African copper, coal and vehicle components producer, returned to profits in 1986 as the result of a major rationalisation.

On turnover which rose to R219m ($105.5m) from R212m, operating income before tax and finance charges was R12.2m against a deficit of R3.3m and pre-tax profits were R184,000 against a loss of R23.6m.

In 1985 Messina was saved from deepening losses when Sanlam, the parent company, took over the troubled Nissan motor manufacturing subsidiary. The copper mine in the northern Transvaal is operating profitably as, too, are the colliery operations. At present Messina is prospecting for platinum in the north-western Transvaal, but is involved in a dispute over ownership of mineral rights.

Zimbabwe government stocks, bought with proceeds of sales of investments in the country, are gradually being redeemed and provided revenue of R1.2m last year.

The year's per share earnings were 28.6 cents against 1985's deficit of 180 cents. Again a dividend has been omitted.

Scitex sees turnround after heavy loss

BY JUDITH MALTZ IN TEL AVIV

SCITEX, the Israeli manufacturer of computerised imaging equipment for the publishing industry, has reported a virtual trebling of losses in 1986, to US$33.7m from $13.3m. These were the worst results ever posted by the company, once regarded as an outstanding example of Israel's high-technology prowess.

Sales at $132.8m showed little change, with more than 90 per cent deriving from exports. Scitex's major markets are the US, Western Europe and Japan.

Mr Ben-Zion Naveh, chief operating officer, attributed the widening of losses to recession in the world electronics market, and to the Government's policy of maintaining a fixed exchange rate in spite of rising domestic costs.

Mr Naveh said, however, that a wide-ranging recovery programme adopted at the start of 1986 had already borne fruit, citing the company's fourth quarter results. In October-December, it registered its first operating profit for the year, as well as its largest quarterly sales figure—over $47m.

Mr Naveh was confident that the company's cost-cutting moves would continue to be reflected in the coming year's results.

Scitex is a subsidiary of Clal Industries.

Western Mining buys ACM stake

WESTERN MINING along with Australian institutions have emerged as the buyers of the A$248.4m ($US$168.5m) stake being shed by Amax of the US in Australian Consolidated Minerals, the Perth-based gold producer, writes Our Financial Staff.

The holding of some 47 per cent will be split largely among the Melbourne headquartered Western Mining and the AMP Society, with 19.9 per cent each while the remainder will go to other investment groups.

Amax is rationalising its interests

Allied Building Society to go public

By Jim Jones in Johannesburg

ALLIED Building Society, South Africa's third largest, is to convert itself from a mutual society to a public company with a Johannesburg Stock Exchange listing.

South Africans who have held investments of more than R1,000 ($482) hold the building society's entire share capital as well as a recently acquired banking operation. A rights issue by Allied forms part of a recent reshaping of legislation governing South Africa's financial institutions, which allows building societies to compete directly with the banking sector over a range of financial services.

United Building Society (UBS), the country's largest, has already gone public and Natal Building Society is to follow Allied. At the end of 1986 Allied had total assets of R4.3bn, of which mortgage advances represented R3.53bn. The year's pre-tax profit was R55m. Allied Group has an authorised capital of 350m shares, of which about 300m are being issued to investors.

Investors who qualify are to be offered the right to buy three Allied Group shares at R1 each for every R20 invested with the building society. They can either pay cash for the new shares or pay for them by redeeming part of their existing investment in the building society.

Shares which would otherwise have accrued to about 80,000 investors with less than R1,000 invested in the building society will be placed with local financial institutions at R1.75 each and the profit from the sale will be distributed pro-rata to the non-qualifying investors' investments.

● UBS is negotiating a share exchange with Volkskas, the country's fourth largest bank. The two companies have not disclosed likely terms of any arrangement, but the intention is that UBS Holdings, the quoted vehicle, will exchange new shares in itself for new shares issued by Volkskas.

Until it ceased to be a mutual society, UBS had close links with Standard Bank, the country's largest bank.

TECHNOLOGY

The Messiah with gaps: a code to foil copying

David Thomas reports on a key innovation in the DAT war

THE BITTER dispute between the Japanese and their Western trading partners about a new Japanese sound system, known as digital audio tape (DAT), turns on technological advances which are pulling in opposite directions.

The Japanese are understandably proud of DAT, launched this month in Tokyo and likely to hit the shores of Europe and the US before the year's end.

It stores and reproduces sound using the binary language of computers, a system which is almost completely immune to distortion, noise and imperfections. So DAT allows the recording, erasing and re-recording of music of a quality to equal compact discs.

But the music industry in the West has cried foul. It claims that DAT's very perfection will mean a huge explosion of home taping, draining the industry's copyright income in the process.

The music industry is not just bleating on the sidelines. It has proposed a technological solution which would protect its copyright income—a copy code system devised by CBS, the world's largest music company.

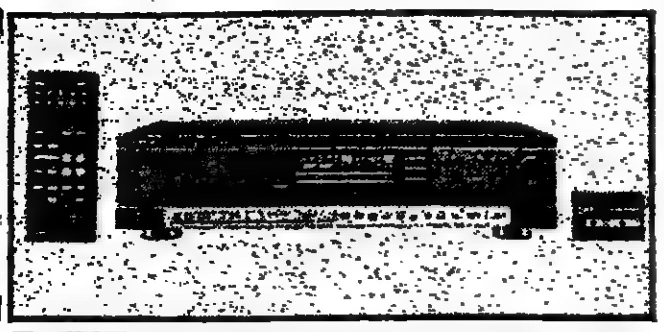
Mr David Stebbings, the Englishman who is director of recorder technology at the CBS technology centre in Connecticut, recently explained this system to an invited audience at the Abbey Road Studios in London.

He described how the search at CBS for a way of preventing unauthorised copying of records and tapes went back almost ten years.

"At the outset, we were looking for some inaudible signal that, when added to the recording, would interfere with the recording process in some way—perhaps by producing an unacceptable distortion or beat signal."

But CBS was unsuccessful in its quest: the signals either distorted the playback or were easy to remove using inexpensive filters.

Next CBS asked 38 selected universities and research centres to come up with an anti-copying system which was inaudible and did not require the use of any supporting hardware built into the tape recorder, tuner or receiver. This proved another dead-end.



The digital audio tape sound system just launched in Japan by Aiwa, flanked by a remote control unit and one of the tapes

So CBS changed track. It began work on the premise: what if the law laid down that any recording machine must have a circuit which would detect a code in the music software identifying that software as copyright material?

That is the basis of the company's copy code system: a decoder in the recording machine disables a recording if it detects the code in the recorded software.

The encoder removes from the master recording a narrow sliver of sound energy, taken from the upper-middle portion of the audible sound spectrum at a frequency of 3840 Hz. CBS insists that even the best trained listeners cannot detect any loss of quality because of this encoding.

However, the difference can be spotted by a recorder containing a decoder, which is a chip built into the machine's recording circuitry.

If the decoder detects the notch on a piece of music, an electronic switch within the chip stops the recording for frequently repeated periods of 25 seconds — you get the Messiah with gaps.

CBS is particularly proud of three aspects of its system:

● The technology could be applied to any type of music medium—LP, pre-recorded tape or compact disc. The CBS copy-code system was first demonstrated in 1982, long before the DAT war took off.

So the technology is relevant to all forms of commercial piracy and home taping in the music world. "Our system works on any audio from any source," says Mr Stebbings.

● The system could be built into recorders in such a way that most people would be put off trying to neutralise it, CBS says.

"It is our thought that the detector chip should incorporate a portion of the circuitry for some vital function of the recorder, such as the bias oscillator, so the removal of the chip would render the recorder inoperative," explains Mr Stebbings.

CBS is already working on this idea with a chip manufacturer in Long Island.

● It would be cheap. The decoder chip would cost less than $1 if mass produced, CBS estimates.

Moreover, the interest of CBS is not in making money from the technology, but in seeing it spread as widely as possible. The company has said it would license both the encoder and the detector on a royalty-free basis for all hardware and software applications.

Mr Stebings says: "All the major record companies have seen the system, heard it and back it."

So the rival technologies are in place—DAT versus the copy coder. The fight now is likely to be political: can the music industry persuade governments to force hardware and software companies to build the CBS technology into their products?

A bill has been introduced into the US Senate which would mean just that. But even so, the music industry has an uphill struggle to convince politicians that they should keep the wonders of DAT recording out of the hands of their constituents.

Clearing the air for the electronic car

John Griffiths looks at a new test unit dealing with the problems of interference

HOW'S this for a frightening scenario?

You are driving happily along, simply holding the wheel in your new hi-tech executive car when—

The cruise control accelerates the car at the same time as the anti-skid brakes go on.

This causes the electronically-controlled automatic transmission to have hysterics.

Meanwhile, the speedometer goes haywire.

And a "thunk" travels round the interior of the car as the central locking operates itself.

What has just happened is that the car has passed through a quite extraordinary level of localised radio frequency interference, from a variety of sources acting in concert and causing havoc in the car's sophisticated electronic systems.

Mr Malcolm Williams, chief engineer in charge of electronics at Gaydon Technology, UK State-owned Rover Group's research and engineering consultancy, stresses that there is virtually no chance of all of these effects being experienced simultaneously to create accident potential.

But each is possible, plus many other forms of radio frequency-induced interference, as on-board electronic systems proliferate—along with sources of potential interference from the likes of cellular telephones, even if this particular example is fairly trivial in its effects.

The interference phenomenon, which ironically can include that generated by the car's own on-board systems, lies behind the development of a new £800,000 research and test unit at Gaydon Technology's 1,000-acre proving ground, in the heart of the Warwickshire countryside, where 420 people are employed.

The test chamber is believed to be the only one of its type in Europe, and represents just the latest tranche in a series of research and development (R & D) and test facility investments on which Gaydon has spent £80m over the past few years.

Although only put on show formally in recent weeks the facility is already in heavy use, operating double shifts on behalf of a number of vehicle makers. It is designed to be capable of use virtually non-stop, on a three-shift basis, in the expectation that demand for its resources will increase inexorably.

The expectation is not simply Gaydon optimism.

In February, at a Financial Times conference, Mr John Hardiman, Ford of Europe's vice-president, parts and service operations, declared that there would be "spectacular" growth in the use of electronics in cars.

A forecast doubling of the electronics content of US-produced cars, to reach 20 per cent of the vehicle's cost by the end of the century, would be "closely reflected" in European cars, said Mr Hardiman.

"The problem we face," says Mr Williams of Gaydon, "is that car electronics work on very small currents, so they are easily subject to interference." The difficulty is manifested through the car's typically yards-long wiring harness "behaving like a great big aerial."

Thus the car's systems can fall prey to interference from, among other sources: radio and television transmitters, amateur mobile transmitters, CB radios (yes, they are still around in small numbers, says Mr Williams), emergency services communications, cellphones — and whatever emanations for military and defence installations one might care to speculate about.

So diverse are the sources becoming that an environmental study is under way to determine their extent. This study involves the Motor Industry Research Association, the Society of Motor Manufacturers and Traders and UK Government Departments.

Perhaps more significant is that potential interference risks could increase sharply from electronic systems specifically designed to help drivers, as envisaged under the European Prometheus research programme into navigational and automatic guidance systems.

The central role of Gaydon's electromagnetic compatibility (EMC) chamber is to simulate just about every type of interference bombardment a car is ever likely to meet, and as near as possible to "real use" conditions, so that the effects on the electronics of a manufacturer's vehicle can be monitored in detail.

By so doing, it becomes possible to identify potential problem areas within the electronics of individual types of vehicle. But perhaps most importantly, it becomes possible to develop a framework of knowledge within which "immunity" to interference can be designed in at the initial stage of product development.

The EMC chamber where the bombardment takes place is an impressive metal box, 13.4 metres by 10.3 metres square, and 6 metres tall. Its walls are over a metre thick when radio-absorbing cones, resembling those of an anechoic chamber used for noise testing, are taken into account.

With external, computer-controlled generating equipment flooding the room with frequencies ranging from as low as 10 kilohertz all the way through to one gigahertz, it is not surprising that precautions to keep the bombardment strictly within the box are extensive. Its 3 metres-high doors have special flush-fitting metal edges, cleaned microscopically every week and completely overhauled every three months.

The total frequency range is covered by four separate amplifiers feeding the radio energy into the chamber via antennae. Both frequency and field strength are controlled by a computer programmed to sweep the required frequency range in small steps.

The majority of testing is carried out in the up to 400 megahertz range, embracing emergency services transmissions and the cluster of VHF radio transmissions around 100 MHz.

Inside is no place for humans when interference is being generated, the effect at some frequencies being the equivalent of a microwave cooker. Instead, TV cameras and other sensory equipment relay data to an adjacent control room (via fibre optics to avoid the data itself being subject to interference).

The chamber tests cars while running under normal load, across their speed ranges, on a rolling road dynamometer. Ingeniously, this is mounted within a turntable, so that the chamber can accommodate both front and rear wheel driven cars.

Interference or, more precisely, electromagnetic radiation, can pass straight into the vehicle through the windows and other openings. When intercepted by the metal body, the radiation sets up high frequency alternating currents. These in turn generate more electromagnetic radiation, which is transmitted inside the car.

It is picked up by the wiring harness, acting undesirably as an aerial. The consequent alternating voltages or currents generated in the harness may then upset attached electronic equipment either by influencing their operation directly, by "cooking" components a la microwave, or by "rectification." Here, if an AC signal should be converted into a low frequency or DC signal, it may be misinterpreted as output coming from a sensor, with undesirable results if hooked up to the likes of anti-lock brakes.

Even a fibre optic "wiring loom" would not in itself provide a solution, for the transducer link with the components would still be subject to interference.

The problem could even be exacerbated by car makers themselves, should the industry eventually opt for plastic bodied cars on steel or aluminium frames—interference passes through plastic as if it were a window.

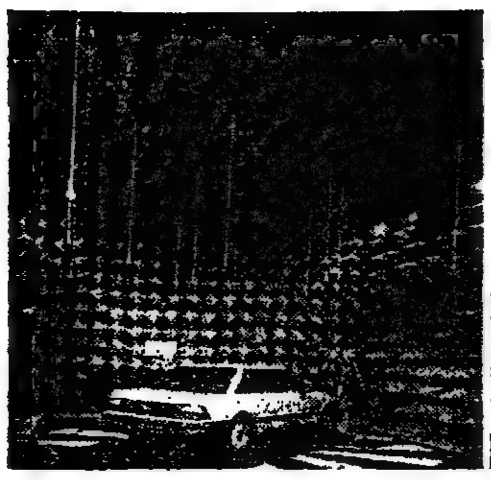
All this notwithstanding, electronics currently form an area of the car from which performance standards or other forms of government legislation, in the UK or beyond, are almost entirely absent.

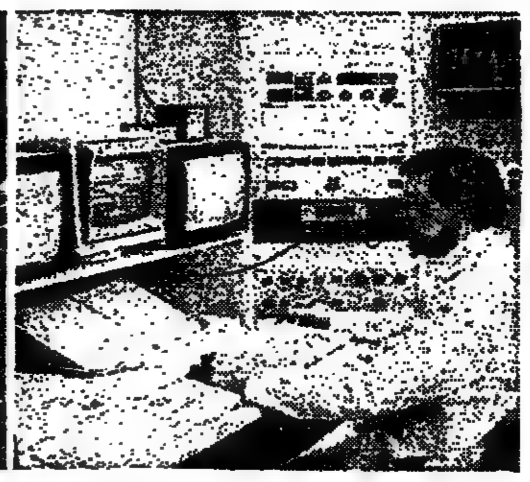
By tackling aggressively, on their own initiative, the problems now appearing, manufacturers hope and intend to maintain this state of affairs, say Gaydon officials.

And Gaydon's chairman and managing director, Mr Harry Sheron, and his senior colleagues remain confident that the industry will keep the problems well under control, no matter how widespread in-car electronics become.

"Electromagnetic compatibility should NOT be a limiting factor on what electronics can go into a car," they say.

Given that one of the electronic wonders looming over the horizon is "active" steering, where electronics, not the driver, will determine precisely how much the steered wheels are turned, the work being done at Gaydon is very comforting.





FAR LEFT: A car is tested in Gaydon Technology's electromagnetic compatibility chamber, where it can be bombarded with every type of interference that might affect its electronic systems
LEFT: The data appear on a computer screen for analysis.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
161	118	Ass. Brit. Ind. Ordinary	180	—	7.3	4.6	9.8
163	121	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
40	28	Armitage and Rhodes	35	—	4.2	12.0	4.9
80	64	BBB Design Group (USM)	75	—	1.4	1.9	17.9
221	166	Bardon Hill Group	221	—	4.6	2.1	25.1
103	55	Bray Technologies	103	+1	4.3	4.2	12.2
138	75	CCL Group Ordinary	132	—	2.9	2.2	9.4
107	86	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
271	118	Carborundum Ordinary	266	—	9.1	3.4	12.9
93	90	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—
125	75	George Blair	87	—	3.8	4.4	2.2
114	57	Ind. Precision Castings	114	—	6.7	5.9	10.2
176	121	Isis Group	121	—	18.3	—	—
124	101	Jackson Group	119	—	6.1	5.1	8.1
377	290	James Burrough	369	+1	17.0	4.6	10.3
100	88	James Burrough 9pc Pf.	88	+1	12.9	14.7	—
1035	342	Multihouse NV (AmstSE)	740	−10	—	—	36.5
380	260	Record Ridgway Ordinary	358	—	—	—	8.3
100	83	Record Ridgway 10pc Pf.	83	—	14.1	17.0	—
91	67	Robert Jenkins	80	—	—	—	4.0
63	30	Scruttons	63	+1	—	—	—
150	67	Torday and Carlisle	148	—	5.7	3.8	9.0
340	321	Travian Holdings	324	—	7.9	2.4	6.7
90	42	Unilock Holdings (SE)	80	—	2.8	3.1	16.6
129	65	Walter Alexander	128	—	5.0	3.9	12.2
200	150	W. S. Yeates	195	—	17.4	8.0	19.3
99	67	West Yorks. Ind. Hosp. (USM)	99	—	5.8	5.7	14.1

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Interest Rate	6 7/16% per annum
Interest Period	9th March 1987 9th June 1987
Interest Amount per U.S. $10,000 Note due 9th June 1987	U.S. $164.51

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PRUDENTIAL
Floating Rate Notes Due 1995

Interest Rate	10.4125% p.a.
Interest Period	5th March 1987 5th June 1987
Interest Amount per £10,000 Note due 5th June 1987	£262.45

Credit Suisse First Boston Limited
Agent Bank

UK COMPANY NEWS

Bryant profits justify bid defence

BY CLAY HARRIS

Bryant Holdings yesterday reported a 91 per cent increase in interim pre-tax profits, living up to the forecast which helped it in January narrowly to repulse a takeover bid from English China Clays.

The housebuilder and property developer lifted pre-tax profits to £11.71m (£6.12m) on turnover of £99.6m (£77.1m) in the six months to November 30. Bryant has forecast profits of at least £21m for the full year.

The property division, which sold £7.5m of trading and investment holdings and reinvested most of the proceeds in southern England, increased turnover to £9.5m (£1.6m). Turnover from housebuilding was £64.2m (£55.7m), and from construction £25.9m (£19.6m).

Bryant's housebuilding operations also continued to shift southwards from the company's Midlands base. Recent land acquisitions included tracts in Cambridge, Banbury, Stevenage, Basingstoke and Cheltenham, as Bryant focused on demand displaced from Greater London and its most expensive environs.

Land purchases had increased gearing to 20 per cent from nil in the wake of last October's £17.4m rights issue.

Earnings per share advanced by 89 per cent to 8.9p (4.5p adjusted). The proposed interim dividend is 25 per cent higher at 1.5p (1.2p). Bryant has forecast a total dividend for the year of at least 4.3p (3.7p).

Bryant plans a one-for-one issue to shareholders on the register last Friday.

EEC, the clays, quarrying and construction group, said yesterday that it continued to keep an open mind about the future of the 29.9 per cent stake it retains in Bryant.

With Bryant down 1p to 172p, the holding was worth more than £51m.

● comment

Nothing concentrates the mind like the prospect of dropping into a clay pit. The Cornish raider may not have carried off the spoils, but he sure got Bryant on its toes. Forecasts made in the heat of battle now look conservative, as the fundamental strength of the business has been awakened from its Solihull slumbers. Bryant now could well go through £23m pre-tax, for earnings per share of nearly 16.3p and a p/e well below 11. ECC's holding, moreover, casts no shadow over a Bryant price which (with the help of a strong market) has confounded the predictions of a post-bid collapse. These shares, now seen as inexpensive in the sector, would find a happy institutional home. Alternatively passing them as a block to another suitor would only send the price ahead. In the meantime, the ECC stake should not tie management hands, because Bryant does not intend, for example, to seek any new funds (because of promises at the last rights issue and the arguments it marshalled in defence of its independence).

Beatson Clark lifts profit to £1.3m

Beatson Clark, the Rotherham-based glass container manufacturer, improved its pre-tax profits from £1.16m to £1.27m in 1986, and the final dividend is increased by 1p to 5.2p net for a total up from 7.5p to 8.5p.

Mr David Clark, the chairman, said it was a year of achievement. Early in the year, it started a new business for blow moulding plastic bottles in a clean room environment. That business, which represented an investment of £1.5m, was well received by pharmaceutical and toiletry manufacturers.

In March, the company acquired a manufacturing base in Australia when its subsidiary purchased a local plastic container manufacturer for about £400,000.

Other achievements during the year included the purchase, in December, of the Unit Moulders companies.

Group pre-tax profits increased despite losses in the plastics manufacturing part of the business. At the operating level, the main glass container business increased its profits to £2.03m (£1.28m).

Turnover rose marginally from £34.39m to £34.67m, with the home market increasing its share from £25.97m to £26.55m. Depreciation accounted for £3.22m (£3.18m), and interest charges rose from £799,000 to £859,000. Tax took £625,000 against £394,000.

Persimmon well over forecast

A PARTICULARLY strong performance in the final quarter enabled Persimmon to achieve record profits in 1986. Compared with a forecast of over £5m, the pre-tax figure soared by 78 per cent from £3.42m to £6.1m. Turnover was up from £31.9m to £46.4m, an increase of 45 per cent.

Mr Duncan Davidson, chairman of this residential builder and developer, said the current year has begun very well and forward sales of the company's homes were encouraging.

In the meantime, the total dividend is hoisted by 20 per cent from 5.25p to 6.3p net with a final up from 3.5p to 4.2p. Stated earnings per 10p share were 28.2p against 17.1p.

During the year, the company completed the sale of 1,215 houses at an average selling price of £38,198, and all its operating companies in Yorkshire, the Midlands, East Anglia, South-west, Wessex and the North-east produced record profits.

Its new company in Scotland commenced operations in July, and now has three sites under development. More sites are in the pipeline.

Persimmon is also establishing two new operating companies. The first is based at Horley, Surrey and will cover the south-east, and the other will operate in the north-west, in the area around Manchester.

Last September, a rights issue raised £6.5m. As a result of that and the 1986 retained earnings, shareholders' funds have more than doubled to £18.3m.

● comment

Unlike most small housebuilders, Persimmon has expanded out of its Yorkshire home region and now operates in nine regions including new north-west and south-east branches. This gives it the structure of a larger company and better potential for organic growth. These figures are comfortably in excess of forecasts and the company should make equally good progress for 1987 despite start-up costs and high land prices in the south-east. Its policy of pre-selling has paid off; gearing has been reduced by 16 per cent to 36 per cent—a respectable figure for the capital-intensive world of housebuilding. It should produce around 1,600 houses this year—a third more than 1986 — and 1,000 have already been reserved. Profits of £8.5m are expected next time, which puts the shares at 356p (up 10p) on a prospective p/e of just under 10.

Burton ADR's

Burton Group announces that trading commenced yesterday in the US in Burton American Depositary Receipts (ADRs).

This step follows the placing of £110m convertible bonds in the Euromarkets.

The ADRs, which will enable existing shares to be redistributed in the US, will be sponsored by Morgan Guaranty as depositary bank.

Nolton settles claim

Nolton, an investment holding company, announced that it had reached an agreement concerning the outstanding claim which related to an insurance transaction in 1978. The board, after consultation with its legal advisors had now made a full and final payment of £250,000 plus legal costs.

The original notice of claim potentially involved repayment of £350,000 plus interest of £400,000. A proposal of settlement for £500,000 was subsequently received which the Board rejected.

Mr Alan Hancock, the chief executive, said that the uncertainty surrounding the claim had inhibited the company's growth plan for nearly a year. Now that the matter was settled the directors could be much more confident in their approach to expanding the company by acquisition.

Escalating war of words at Bremner

By Philip Coggan

THE WAR of words in the batle for Bremner escalated again yesterday with the publication of the department store and property group's annual report.

Dissident shareholders are attempting to unseat Mr James Rowland-Jones, the chairman, who himself achieved office only after a boardroom coup last year.

Mr Rowland-Jones is well-known for his combative and assertive style and his chairman's statement minces no words.

"My father once said to me," begins his fourth paragraph, "Watch where the sharks gather, for they are not there for NOTHING."

The sharks, in his view, are represented by Mr Andrew Greystoke and his City and Westminster Financial group with which Bremner had merger talks late last year.

The discussions ended in acrimony and Mr Rowland-Jones has successfully called for a DTI investigation into share dealings in Bremner, in which CWF has a 26 per cent stake.

Not to be outdone, CWF has launched a series of attacks on Mr Rowland-Jones' management of the group and will call for his removal at an extraordinary general meeting on March 17.

Yesterday, in the annual report, Mr Rowland-Jones launched a further attack on Mr Michael Black and Mr Lionel Casper, previously chairman and director of the company.

They were ousted in an April EGM last year, only to rally support to vote Mr Rowland-Jones out of office in the AGM in August. However, Mr Rowland-Jones was promptly co-opted back on the board by the surviving directors.

Mr Rowland-Jones blames Mr Black and Mr Casper for Bremner's previous losses. The department store, once the nub of the group, has been substantially slimmed down.

Following first half profits of £109,000, Bremner made profits in the year ended January 31, 1987 of £111,000 pre-tax (£421,000 loss) on sharply reduced turnover of £1.11m (£2.63m). But that result was largely due to other operating income of £145,000 and net interest receivable of £246,000. There was also an extraordinary item of £428,000 relating to a property disposal.

CWF immediately attacked the figures as being the product of "creative accounting," claiming that since Bremner had around £3m in cash, shareholders would have done better to leave their money in the bank.

BOARD MEETINGS

TODAY

Interims:—British Car Auction, Miller and Santhouse, Prestwich, Wolseley.

Finals:—BBA Group, Bensons Crisps, Bluebird Toys, Crests Holdings, De Beers Consolidated Mines, Federated Housing, HongKong and Shanghai Banking Corporation, Lambert Howarth, Owners Abroad, Pentos, Robinson Bros. (Ryders Green), Thomas Robinson, E. T. Sutherland and Son, Wickes, Woodhouse and Rixson.

FUTURE DATES

Interims:—	
Magnetic Material	Mar 22
Pacific Sales Organisation	Mar 16
Peters (Michael)	Mar 13
Television Southwest	Mar 18
Thorlux Lighting	Mar 26
Finals:—	
Eucalyptus Pulp Mills	Mar 16
Evans Halshaw	Mar 31
Expamet International	Mar 17
Hampden Homecare	Mar 11
Ibstock Johnsen	Mar 25
Jamesons Chocolates	Mar 17
Laing (John)	Apr 2
Morgan Grenfell	Mar 18
Perry Group	Mar 12
Philcom Applied Technology	Mar 12
Rockwell	Mar 16
Stockley	Mar 12
Sun Alliance & London Ins.	Apr 1
WPP	Mar 16
Waterford Glass	*Mar 16

*Amended

Filmscan looks to Japanese market

FILMSCAN HAS declared a pre-tax profit of £25,370 on turnover of £771,749 for its first year, ending June 30 1986.

The company, which comprises the original Nelson Filmscan list of video products for English Language Teaching, the former Basic Blackwell ELT list and the Lingual House ELT materials in Japan, has a substantial programme of publications being developed for both European and Japanese markets.

British Vita nears £20m thanks to European side

A SHARPLY increased contribution from its European operations enabled British Vita, international leader in polymer, fibre and fabric technology, to increase its 1986 profits from £12.28m to a record £19.77m pre-tax.

In the current year to date the group had continued to meet its targets and the board remained confident for the future in the UK, Europe and overseas and said it would take all opportunities to promote further growth, both organically and through acquisitions.

Group turnover for 1986 advanced from £186.11m to £237.23m. The cost of sales, distribution costs and administration expenses all showed increases.

However, the share of profits of the associates improved by £1.24m to £3.83m and interest charges were reduced from £2.14m to £1.73m.

The bulk of the 62 per cent pre-tax profits improvement was generated by the European companies. Their contribution, which now accounts for over half of the group's total profits, accelerated from £4.73m to £10.34m. UK profits pushed ahead from £4.48m to £6.13m.

The acquisition of Glazepta, PEC and Rubber Latex came too late in the year to produce substantial benefit but the establishment of the Vita-Achter joint venture in mid-1986 proved "most worthwhile."

As predicted by the group last year, licensing activities have been strengthened by the successful signing during 1986 of "Tramivex" licence agreements with leading Japanese and German automotive component suppliers.

By year-end British Vita's gearing had been reduced from 42 per cent to 27 per cent despite the acquisitions and capital programmes undertaken during the year.

Tax for 1986 accounted for £8.91m (£5.08m). The return on capital employed rose from 23 per cent to 33 per cent.

Dividend for the year is raised to 6.37p (4.67p adjusted) via a final of 3.7p. Earnings rose to 23.8p (15.7p).

● comment

British Vita has a strong result from its European wing to thank for confounding analysts with a final result almost £2m ahead of forecasts. While about a quarter of the £5.6m European rise was due to currency factors, Solvay was in for a full year (against six months) and the German performance was good. In the UK and international operations currencies ran the other way as most of Vita's raw materials are denominated in Deutschmarks. With debt levels falling (gearing is down to 27 per cent) and associates contributing almost £1m more than expectations, the real question is whether the group can maintain anything like this growth rate. The City believes that a 30 per cent rise in earnings is possible and is pencilling in £25m for 1987. However, a prospective p/e of 13 at 400p is only just about justified by growing automotive demand outside of the Peugeot group, some of it to be exploited by licensing agreements, and the prospects of more infill type acquisitions as cash generation proceeds strongly.

Acquisitions help Parker Knoll to £2.8m midway

PRE-TAX PROFITS of Parker Knoll, manufacturer of furniture, carpets and furnishing velvets, expanded from £2.26m to £2.81m for the six months ended January 31 1987 and leads Mr Jourdan, chairman, to believe that full year targets will be achieved.

After slightly lower tax of £856,000 (£866,000) earnings per share were shown as 25.8p, against 18.6p, while the interim dividend is increased to 5p (4p)—last year's final payment was 8p from taxable profits of £4.62m (£3.6m). Turnover rose from £23.11m to £27.92m.

Results for the six months included, for the first time, a full contribution from Lock of London and a contribution from Semple which joined the group on January 2. Both Lock and Semple were currently trading satisfactorily, the chairman pointed out.

The order book at both Parker Knoll Furniture and Nathan continued at a high level, sales of GP & J Baker and Parkertex were ahead of last year while export sales had advanced by over a third.

Results of Mercia Weavers had been depressed by the costs of providing additional capacity and although at Raymakers the market remained competitive, sales were good and margins had improved.

After trading costs of £25.12m (£20.91m) the trading surplus came through ahead from £2.21m to £2.8m. Net interest receivable was down from £53,000 to £9,000 while after tax the amount available was £1.95m, compared with £1.39m. The interim will absorb £380,000 (£301,000).

● comment

Parker Knoll has long found that the recognition afforded to its reclining chairs is rather a mixed blessing. In the furniture market itself, it has an image tied to the over-45 age group; on the stock market, its rating has been historically tied to the furniture sector, rather than to textiles from which 60 per cent of its profits now come. Now is the time for the company to draw breath and digest its recent acquisitions, which added £150,000-£200,000 after financing charges in the first half. The revival of Nathans, after a few years of heartache, is giving a boost not only to the bottom line but also to the tax charge. Full year pre-tax profits of £6m put the shares, at 558p up 21p, on a prospective p/e of 10, which looks cheap.

GA expands estate agency network

General Accident has entered into agreements to acquire the capital of estate agents Hoddell Pritchard.

Based in Bristol, Hoddell Pritchard operates through 11 offices in the county of Avon and will extend General Accident's existing coverage in the West Country.

General Accident said that this acquisition — which brings its total estate agency outlets to 218 — is a further step towards its aim of building a national network of offices through which both property services and a full range of life and general insurance products can be made available.

Charlie Brown's

Charlie Brown's Car Part Centres, which is based in Shipley, west Yorkshire, was suspended yesterday at the company's request, pending an announcement.

The company, which operates self-service supermarkets selling motor vehicle parts and spares joined the USM in May 1985 with a placing of 1.8m shares at 76p.

Berry Birch buys

Berry, Birch and Noble, USM-quoted financial services and insurance broking group, has acquired a controlling interest in Etherington Group which has interests in pensions, employee benefits and corporate and individual financial planning.

Initial consideration is £1m for 85 per cent of the issued capital, and Berry Birch has an option to acquire the remaining 15 per cent for a price which would depend primarily on the level of commission income earned in the year following the acquisition.

Etherington's turnover for 1986 was £260,000, and the company is expected to add some £50,000 to Berry Birch group profit in the first year.

ICI sells 19% stake in Lister

By Mike Smith

Imperial Chemical Industries said yesterday it had sold its 19.04 per cent stake in Lister & Company, the textiles manufacturer, as part of a restructuring of its fibres interests.

The shares, which were placed widely among institutions, were sold for just under £6m. That compares with the £3m which the company paid when it acquired them in 1964.

ICI said the stake no longer fitted in with its fibres strategy. It believed the sale could be effected without harming Lister.

Shares in Lister have risen strongly recently following its announcement of a doubling of profits to £1.25m in the six months to last September 27. Last night the shares were unchanged at 195p.

Mr Michael Dracup, Lister managing director, said that the relationship with ICI had been very good: "We have much to thank them for." It was probably better, however, that the shares would be more widely spread.

Centrovincial Ests.

Shares of Centrovincial Estates, property investment and development company, rose by 27p to 260p yesterday following na announcement by the directors that negotiations were taking place which may or may not lead to an offer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Attwoods† ......int	1.5	July 31	1.25	—	5
Beatson Clark	5.2	—	4.2	7.5	7.5
British Vita	3.7	May 15	2.47*	6.37*	4.67*
Bryant Holdings ...int.	1.5†	April 30	1.2	—	3.7
Cont. Microwave‡ ...int.	1	May 8	0.88*	—	2.25*
Edinburgh Fund	5.5‡	—	4	8	6
Greggs	3.7	May 29	2.65	5.7	4.3
Hibernian Gp	3.6	—	3.6	—	—
Laidlaw Thomson	2.8	—	2.5	4.2	3.75
Leisure Invs.‡ ......int.	0.36	May 31	—	—	0.36
Low & Bonar	3.6†	—	3.25*	5.35*	4.75*
Parker Knoll ......int.	5	April 24	4	—	12
Persimmon	4.2†	—	3.5	6.3	5.25
Ransomes Sims	4.35	May 11	3.5	6	5
Strong & Fisher ..int.	3.5	—	3	—	9
T. & S Stores	2.1	May 29	1.8	3.5	3

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Babcock's £35m sale ends 80 years of Japanese investment

BY CLAY HARRIS

Babcock International, the engineering and contracting group, yesterday signalled the end of nearly 80 years of investment in Japan with the agreement to sell its 20 per cent holding in Babcock Hitachi for about £35m.

Hitachi will take full control of the utility and industrial boiler company after paying Babcock Y8.52bn in cash, in two instalments on April 1 and September 30.

The disposal is part of Babcock's strategy of liquidating low-performing assets. Further sales are being negotiated, according to Mr Brian Knightley, assistant managing director.

These may include at least one Babcock operation in North America.

The sale, announced yesterday, reflects in part the ultra-conservative dividend policy that Hitachi shares with other Japanese. Although reporting a profits contribution from the joint venture of £5.09m before tax and £2.12m after tax in 1986, Babcock received cash dividend income of only £298,828 after deduction of withholding tax.

Although Babcock had two directors on the board, it exerted no management influence, Mr Knightley said.

Babcock plans to use the proceeds to reduce short-term borrowing in the UK. Net borrowing stood at £85m at the end of 1986, against £87m a year previously, according to Mr Knightley.

The holding had a book value of £26.3m at the end of 1986, although most of this reflected accrued profit rather than cost of the assets. Babcock expects the sale to have a neutral effect on profits this year, although the expected £4m reduction in interest costs will improve the cash position considerably.

Babcock will also receive the dividend for the year ending March 31.

Babcock set up its first Japanese boiler subsidiary, Toyo Babcock, in 1908. This was amalgamated with Hitachi Boiler Company in 1953, and Babcock's stake fell from 50 per cent to 14.6 per cent in 1964, before being raised to 20 per cent 12 years ago.

Mr Knightley, a former finance director, said that Babcock had not sold anything in Japan within his memory, and was unlikely to consider any new investments there. The sale does not affect licensing agreements between Babcock and Hitachi.

L and N offer extended yet again

By Nikki Tait

THE BATTLE for London and Northern, the construction, energy and healthcare group, yesterday took on a new lease of life after directors of the company announced that they were considering "a number of alternative proposals put forward by interested parties" and agreed to an extension of the Demerger Two offer for a further seven days.

The £90m Demerger offer had been due to reach its final close yesterday—day 60—and the extension was granted with Takeover Panel approval.

Demerger confirmed that it had been talking to London and Northern about ways in which its plan to split the group into four separate companies and refloat them individually, could be implemented with board approval—thus gaining a recommendation for the bid.

If a recommendation from the board was forthcoming, Demerger believes its chances of gaining the necessary 90 per cent acceptances would be substantially greater.

London and Northern itself, however, said the Demerger's suggestions were only one of a number of options being considered and that there were "other proposals involved." It refused to elaborate further.

Yesterday, Evered, the acquisitive industrial conglomerate headed by the Abdullah brothers, added to the 14.99 per cent stake picked up after a market raid a week earlier. By the end of the day, its stake was thought to stand at around 20.2 per cent. London and Northern's share price added 2½p to 80½p yesterday.

Evered, itself, yesterday stated publicly that it does not intend to accept the Demerger offer and is "currently reviewing the alternatives available."

The company has yet to meet the London and Northern board, though attempts to set up a meeting were under way again yesterday.

Demerger, which has closed off its 81p a share cash alternative, said it did not purchase any further shares yesterday.

Tonks expands building supply side with agreed bid for Peerless

BY RALPH ATKINS

Newman Tonks is acquiring Peerless, the Birmingham-based domestic engineering, plastics and electronics company, in a £28m extension to its building materials supply business.

The deal, recommended by the Peerless board, is in the form of a share exchange. For every 10 Peerless shares, Newman Tonks is offering 11 new of its own. There is also a cash alternative worth 198p for each Peerless share.

Shares in Newman Tonks closed down 1p at 194p.

The issued capital of Peerless consists of 13m ordinary shares. So far acceptances representing 52 per cent shares have been 52 per cent of shares have been received.

The deal will mean the issue of up to 14.3m Newman Tonks shares — or 22 per cent of the enlarged share capital.

Shares in Peerless, which were suspended two weeks ago at 175p pending the announcement, closed yesterday at 200p.

As part of the deal three directors of Peerless, including the chairman and managing director, have set up a company that will buy out parts of the company that do not fit in with Newman Tonks' strategy. This is expected to realise £7.8m cash for Newman Tonks.

The deal brings together two companies with diverse interests. But there are a number of overlaps between the two groups.

Peerless group includes Randall Electronics, manufacturer of domestic central heating controls, Engineering Conglomerates, the plumbing products company, and Peerless Plastics Packaging. All three are new areas for Newman Tonks.

Other Peerless interests, such as Bowden Brothers, gas regulator and valve manufacturers, and Peerless Stampings, complement Newman Tonks' existing businesses.

In the year to March 1986 Peerless achieved pre-tax profits of £1.71m on a turnover of £42.53m, compared with a loss of £379,000 on a turnover of £46.18m in 1985. In 1986 net assets were valued at £9.6m.

The Peerless deal follows a pledge by Mr Timothy Frankland, Newman Tonks chairman, in the group's 1986 annual report to develop or acquire skills in electronics and engineering plastics and to look for acquisitions that complement existing activities.

"As far as we are concerned Peerless fits like a glove," he said.

Last December the group acquired Quality Hardware Manufacturing, a US company manufacturing branded hardware, for $10m (then £7m).

In January 1986, the group itself was the subject of a £62m offer by plastics and non-ferrous metals group, McKechnie Brothers.

In the year to October 1986 Newman Tonks reported a pre-tax profit of £8.27m on a turnover of £85.38m. Net tangible assets were valued at £28.8m.

B & C buys 11.4% stake in Midsummer

By Ralph Atkins

British & Commonwealth, the financial services and transport group, has bought 1.1m shares in Midsummer Leisure, the public house and discotheque company, representing 11.4 per cent of the share capital.

British & Commonwealth said it had no intention of making a takeover bid.

Midsummer shares closed 50p up yesterday at 270p.

Instead the acquisition follows a company policy of investing in small companies which have potential for growing if given the support of a "big brother" shareholder.

British & Commonwealth paid 220p per share. They bought 900,000 from Swithland Estates, a private company controlled by Mr Adam Page, chairman of Midsummer, and Mr Paul Reece, finance director.

The remaining 200,030 shares were bought from the personal holdings of Mr Page and Mr Reece.

After the deal Swithland Estates will hold 2.61m shares in Midsummer.

In the year to September 1986 Midsummer, formerly known as Campaign for Real Ale, achieved pre-tax profits of £1.04m on turnover of £5.50m.

Tyndall-Guardian offer by Brint

BY NIKKI TAIT

Brint Investments, the financial services investment company, is making an agreed cash or shares offer — worth around £22m for Tyndall-Guardian, the Bermuda-based offshore fund management group.

The offshore group has funds under management of around $393m (£251m) and some 9,000 clients—increasing the total number of clients of Brint itself by around 50 per cent. Yesterday shares in Brint added 15p to 365p.

The deal has the backing of Tyndall-Guardian's two major shareholders—Guardian Capital Corporation, a Canadian company, and Aetna Life and Casulty, the US-owned insurance company who together hold around 75.8 per cent of the company's voting capital.

Last November, Brint bought the two Tyndall banking services companies—Tyndall and Co and Tyndall and Co (Isle of Man)—from Aetna for just under £10m. Aetna itself acquired the Tyndall Group from Globe Investment Trust in the previous February, and said then that it intended to keep the insurance and investment services parts as these fitted more closely with its mainstream business in the UK.

Brint itself, which grew out of the old Hall Brothers Steamship in the early 80s, first moved into mining investment and, since 1984, and been investing in the financial sector. Yesterday, Mr Garnet Harrison, chief executive, said the move would give the company an extensive range of offshore funds and that there was scope for moving the fund management in-house.

In 1986, TG's unaudited figures show net income before tax of $2.26m, compared with $1.58m in the previous 12 months. Its activities take in unit trust, mutual fund and portfolio services with offices in Bermuda, the UK, the Bahamas and Jersey.

Under the deal Brint is offering 11 of its own shares for every 10 common in TG or 297p in cash, and 8 Brint plus £10 nominal of 5 per cent convertible unsecured loan notes for every 10 convertible redeemable preference in TG. There is also a 216p cash alternative on the convertibles.

Existing shareholders in Brint can apply for shares for which the cash alternative is accepted at the cash alternative price, through an open offer. The offer will be on a 2-for-5 basis.

Barclays Development

Barclays Development Capital made pre-tax profits of £10.9m last year, more than double the £4.9m earned in 1985. The company, which is part of the BZW investment banking subsidiary of Barclays Bank, has 62 investments worth around £50m compared with a cost, net of provisions, of under £16m. It intends shortly to launch a fund to syndicate medium-sized buy-outs to institutions.

Granada profits advance

Mr Alex Bernstein, chairman of Granada Group told the Annual Meeting that performance in the first few months of the year is in line with out expectations.

"Our four business areas — TV rental and retail, television broadcasting, leisure and consumer services and services to business—are doing well and, in each case, profits are ahead of the same time last year."

Hanson poised to sell Findlay's 292 shops

BY LISA WOOD

Hanson Trust is understood to be poised to sell its 292-strong chain of Findlay's the Newsagents shops which it acquired last year with its purchase of the Imperial Group.

Hanson has been negotiating a sale for some time with Mr Arundbhai Patel who last year acquired some 38 Finlay's CTN and seven off-licences.

However, a management buy-out has also been attempted by four senior Findlay's managers led by Mr Ken Bayman, Findlay's retail co-ordinator.

Mr Bayman said: "We approached Hanson who thanked us but said it had gone too far down the road with Mr Patel. We now understand that Mr Patel has until next Monday to make a bid. If the deal falters we may then make a bid."

Staff at Findlay's outlets are fighting the take over by Mr Patel's group, CTN Retail. One manager alleged that only four managers remained from the 35 in place at the time of last year's acquisition.

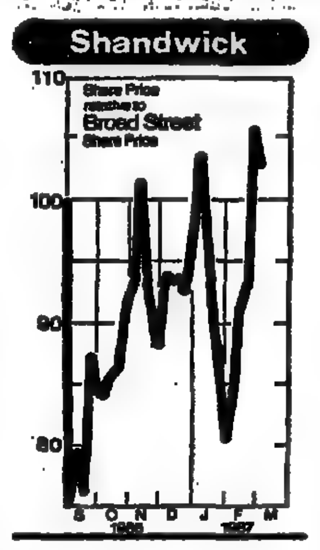
Mr Martin Taylor, a director of Hanson Trust, declined to comment and said that the Stock Exchange would be the first to know if any sale were to proceed.

Shandwick passes the £1m mark

Shandwick, the public relations consultancy reported pre-tax profits up from £535,000 to £1m in the six months to January 31 1987, an increase of 61 per cent. Turnover was up 89 per cent from £4.62m to £8.70m and group operating profit amounted to £1.06m compared with £635,000 after costs of £4.1m (£3.29m).

Tax charged on profits for the first six months was £401,000 (£239,000) and there were exceptional items of £64,000 (£128,000). Earnings per share are stated at 10.4p (6.6p) for an interim dividend increased from 1.225p to 1.5p. Last year's interim figures have been adjusted for those companies subsequently acquired on a merger accounted basis.

Mr Peter Gummer, the chairman, said that the all-round improvements were due to strong organic growth and the figures reflected seven week's trading from acquisitions, including those in Washington and New York, completed in December 1986.

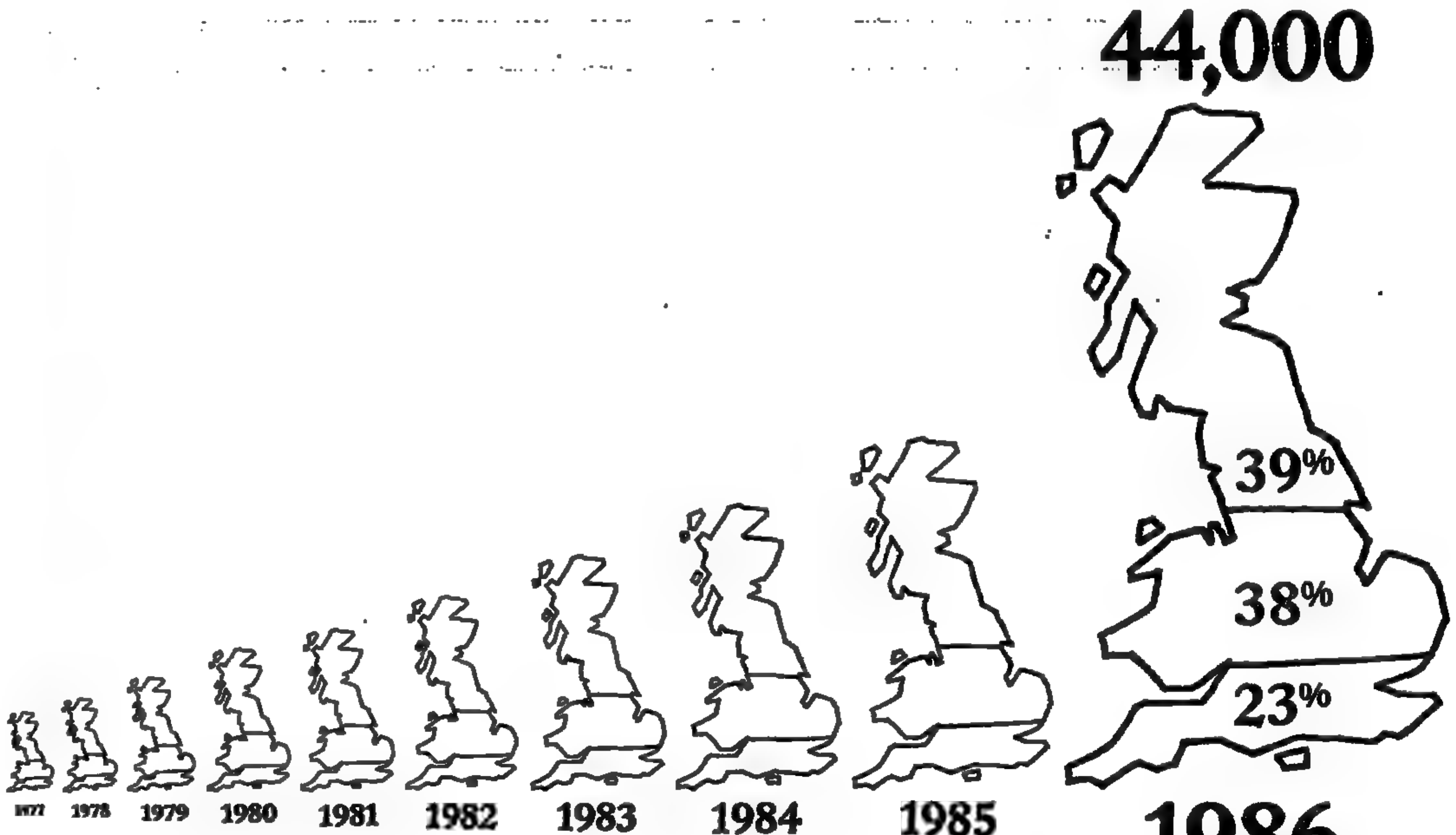


In the first half the original UK consultancies continued to grow strongly showing a 35 per cent increase in operating income. Recent acquisitions had settled down well and made their expected contributions to January 31 last.

Mr Gummer stated that the second half had started well and that he expected continued organic growth to be supplemented by further acquisitions in the near future.

Two acquisitions were announced yesterday, that of Ashdown, a printing business and Impact, a typesetting business. The total initial consideration is £848,000 to be satisfied by the allotment of 194,939 Shandwick ordinary. But the agreements allow for additional performance related payments which would provide for a maximum payout of £3.37m and a minimum of £1.44m.

In the year to October 31 1986 Ashdown's audited accounts showed pre-tax profits of £96,339 on sales of £1.25m while net tangible assets at that date were £198,317. Impact made pre-tax profits of £14,590 on sales of £387,147 for the year to April 30 1986 and had net assets of £38,619 at that date. It was stated that the acquisition of Ashdown and Impact would enable Shandwick to provide quality printing and typesetting services both for Shandwick on its own account and for its clients. Both companies would continue to operate autonomously under existing management and would become subsidiaries of Shandwick Marketing Services.



UK COMPANY NEWS

Ransomes Sims hits £8m and sees further progress

Ransomes Sims & Jefferies made satisfactory progress during 1986 and for the year as a whole increased its profits before tax by 12.8 per cent to a record £8.04m.

The Ipswich-based group maintained its position as a world leader in the manufacture and sale of commercial grass cutting machinery and said yesterday that it would be able to make further progress in 1987 from the improved base which had been established during the last few years.

Turnover for 1986 pushed ahead from £64.52m to £69.73m. Interest charges were little changed at £1.73m (£1.74m) but the tax charge was reduced by £468,000 to £2.13m.

Earnings per 25p share rose by 32 per cent to 21.3p (they were 16.1p last year and have risen from 3.3p in 1981) and shareholders' dividend is being increased by 1p to 6p net via a final of 4.35p.

Figures for 1986 included a full year's trading results of G. D. Mountfield, the UK's leading maker of quality rotary mowers for the consumer market, which was acquired in 1985.

The reorganisation and rationalisation of the group's manufacturing activities at Ipswich, an important feature in improving provitability over the past few years, continued in 1985.

The year saw a further useful reduction in stocks and the directors intend to achieve further reductions on the farm machinery side during 1987.

Despite the cash aquisition of Mountfield, gearing fell from 29.4 per cent at the end of 1985 to 13.8 per cent at December 1986.

An extraordinary charge of £210,000 (nil) represented the final costs of the group's withdrawal from the manufacture of electrical trucks.

• comment

Despite the downturn in the farm machinery business which traditionally buoys its second half as grass cutting declines, Ransome has produced figures slightly above expectations. The company holds a strong position in the professional and top-of-the-range domestic market for grass-cutting machinery—second place in world terms and third in the US. It stands to gain by increased emphasis on leisure activities; farm machinery now accounts for only 17 per cent and a declining portion of sales. New products will help volume this year, and prospects look good, with Mountfield having made a good contribution. This largely cash purchase has not halted Ransome's steady reduction of its borrowings. Gearing has halved to 14 per cent. Margins are high but intensifying competition suggests that further growth won't be as easy. Tax is expected to remain low, at 26 per cent. The City expects around £9.5m next time, producing an undemanding prospective p/e of 9 on yesterday's share price which rose by 10p to 238p.

Acquisition lifts Wills profit to £2.23m

By Ralph Atkins

Wills Group, specialist importer and exporter, increased its 1986 pre-tax profits to £2.23m compared with £532,000.

The sharp upturn in profits was accompanied by a fall in turnover from £134.39m in 1985 to £118.59m in 1986, reflecting restructuring of the group's import business.

A final dividend of 5.5p is proposed making a total for the year of 8p earnings per share up from 1.7p in 1985 to 16.5p.

The shares closed up 18p at 216p yesterday.

The biggest boost to profits came from CT Group—the company's technological sales division, acquired in April 1985. In the first complete year CT has featured in accounts, turnover was up from £7.1m to £11m and profits rose to £1.16m from £738,000.

In 1986 the group sold its glass and chinaware import business for £2.1m. Losses in this import division were reduced from £195,000 to £111,000 in 1986. Turnover was down £2.7m to £16.8m.

The directors said that long lead times for import businesses mean that losses should continue to fall and with the disposal of other loss-making and more speculative businesses the import division is expected to report profits in 1987.

Profits in the trade finance division were up 34 per cent to £1.42m on a turnover down from £90m to £88.6m.

Wills plans a one for four scrip issue and will ask for shareholders' approval at an extraordinary general meeting following the annual general meeting in April.

Strong & Fisher boosted by fashion leathers' demand

THE STRONG DEMAND for high quality fashion leathers is reflected in a £500,000 rise to £2.61m in pre-tax profits at Strong and Fisher in the six months to December 28 1986. External turnover on the leather side increased sharply from £14.41m to £19.81m, while other turnover was slightly lower at £10.83m (£11.08m).

Sir Ian Morrow, the chairman, stated that the first two months of 1987 showed increased sales over the same period last year, and the company's order book for clothing leathers was at an all-time high.

Over 90 per cent of group's productions on order book were designated for export and he was confident of another successful year.

Because of the lapsing of the offer for Garnar Booth, due to the referral to the Monopolies Commission, the company had acquired W. D. Mark and Silvester Litton to increase access to raw material and its tannery production capacity.

Both companies were being quickly integrated, and the chairman looked forward to a positive contribution from them in the next financial year.

The 17 per cent stake in Garnar Booth was being retained as a trade investment for the time being. The company said yesterday that it had received no approaches for the stake in Garnar.

Gross profits for 1986 were £6.15m (£5.2m); distribution costs amounted to £1.02m (£798,000), interest payable to £751,000 (£652,000) and associated companies nil (debit £66,000). There was an extraordinary debit of £576,000, the bulk of which represents [illegible] in relation to Garnar Booth. Earnings per share were 11.6p (8p) for the increased interim dividend of 3.5p (3p).

• comment

Strong & Fisher's 37.5 per cent increase in leather sales owes a good bit to improving prices—the actual volume increase was nearer 20 per cent. And with 90 per cent of turnover going overseas the weak pound in Europe also helped. Fashion leathers now dominate the business. While that market remains in full swing, capacity has been the problem. This headache should ease in the final three months when recent acquisition, Silvester Litton (which should increase output by one-fifth), comes into the group. Litton, together with last month's other purchase, W. D. Mark, will also bring handy tax losses so the full year charge could be down to 30-32 per cent. Profit on the Garner stake, meanwhile, currently offsets around one-third of the bid costs. The City now has its eyes on £5.5m for the full year and the prospective p/e is around 9. Profit-taking knocked 9p off the shares at 215p yesterday—they have bounded from 170p five weeks ago—but as long as the world's well-dressed yuppies retain a taste for leather, Strong's niche makes them look very reasonable value.

Edinburgh Fund Managers up to £5.8m

Pre-tax profits at Edinburgh Fund Managers, a USM investment management company, increased from £4.12m to £5.75m in theyear to January 31 1987, and the dividend is raised from 6p to 8p net with a final up from 4p to 5.5p. Stated earnings per 5p share were higher at 24.8p, against 16.8p.

The directors believe the company is soundly positioned for continued growth in all areas.

During 1986, the company launched EFM Eurofund, a European unit of EFM Pacific Fund, taking the company's stable of unit trusts to 10.

Discretionary/segregated pension fund management is the fastest growing area of the business and now accounts for £268m of total funds under management.

Overseas, the company's US joint venture, Edinburgh Wilmington, continued to make progress, while the company's Australian affiliated company, Sydney Fund Managers, launched additional funds and has now approximately A$60m under management.

EFM's turnover for the year rose from £4.95m to £7.47m. Administration expenses were higher at £2.76m (£2.05m, but operating profit was £4.71m compared with £2.9m. Other income was down from £1.23m to £1.05m, and interest payable was £15,000 against £8,000. Tax took £2.03m (£1.6m).

Hibernian Group climbs to I£7.7m

Hibernian Group, the Dublin-based underwriter, which London Stock Exchange last summer increased its pre-tax profits from I£4.87m to I£7.65m in 1986. The dividend is 3.6p net against 3.5p earlier forecast by the directors.

Underwriting losses totalled £12.94m compared with £14.67m in 1985. Premium income totalled £105.65m against [illegible] and investment income rose from £18.93m to [illegible]. After tax of £3.32m (£2.94m), attributable profits came out at £3.83m (£2.83m). Earnings per share improved from 7p to 8.4p.

Leisure Invs. at £0.5m and expansion ahead

Leisure Investments, operator of amusement leisure centres and snooker clubs, increased its profits from £244,000 to £497,000 in the half year to end-December 1986. Turnover pushed ahead by £908,000 to £2.21m.

The directors said yesterday that the balance sheet was strong, as was cashflow, and that they were currently working on a number of leisure related projects that would have a profound affect on future earnings.

They expected to announce further major plans for the group's expansion in the next few weeks. Meanwhile, trading was continuing strongly.

A nine-acre freehold site on the A3 Kingston bypass has been purchased for £400,000 and outline planning consent for leisure use has been granted. This has added substantially to the value of the land.

UK COMPANY NEWS

Expanding Low & Bonar advances 28% to £17m

Low and Bonar, which has been busy on the takeover front during the past year and which also called on shareholders twice over the period to help fund the purchases, yesterday revealed that its profits for 1985-86 had risen by 28 per cent to £17.11m pre-tax.

At the same time the Dundee-based packaging, plastics, textiles and electronics group, said it had reached agreement to acquire Flotex SA, a French company based at Chateau Renault, near Tours, for FFr 30m (£3.14m) cash at completion with a further FFr 3.6m payable over the next three years.

Group turnover for the year to November 30 1986 surged from a restated £182.76m to £242.35m. The share of related companies earnings rose to £989,000 (£823,000) and income from fixed asset investments doubled to £650,000 (£305,000).

Interest charges took £1.71m (£1.41m), tax £4.35m (£4.54m) and minorities £1.28m (£850,000).

Extraordinary provisions amounted to £1.47m gross offset by tax allowances of £1.24m. The net provision of £228,000 (£3.12m) reflected the acquisition and reorganisation programmes undertaken during the year.

Earnings per 50p share emerged at 19.85p (17.1p). A final dividend of 3.6p makes an adjusted total of 5.35p net on the enlarged share capital, against an adjusted 4.75p.

The group's overall results were achieved despite continued adverse effects of translation of North American currencies which on average were 15 per cent below those of the previous year. But for the currency translation effects profits would have risen by 32.2 per cent.

The French Flotex company makes wall coverings, furnishings and vinyl floor coverings. Its profits for 1986 amounted to £480,000 pre-tax on a turnover of £7.5m. At year-end its net assets totalled £850,000.

• comment

Low & Bonar used to be diversified back in its low-profile days in the seventies but in its new incarnation, it is a classic eighties style mini-conglomerate with decentralised profit centres, management profit incentives and tight financial controls at the centre. These figures reveal the pluses and minuses of a diversified approach—the sluggish electronics division holding back a strong performance from Bonar & Flotex, the North American operations carrying an adverse currency effect but bringing tax benefits. This year, Flotex should do well again as it penetrates the US market and benefits from the French acquisition which will give it entry into Europe for the first time. Adding in £3.5m or so from Powertec indicates £25m pre-tax but another splurge of heavy capital expenditure and a bounceback in the tax charge will mean that earnings growth will be extremely limited. The shares, at 276p, down 31p, are looking to the longer term growth potential to justify a prospective p/e of 14.

Recovery in US helps Continental Microwave

WITH THE US subsidiary showing a break-even situation at the interim stage for the first time—there was a £173,000 loss last year—pre-tax profits of Continental Microwave (Holdings) were nearly trebled from £134,000 to £370,000 for the six months to December 31 1986.

Turnover for this USM telecommunications and defence equipment concern rose by almost 41 per cent from £4.17m to £5.87m and the directors stated that the group should achieve another satisfactory year of growth.

In line with this they have, in effect, lifted the interim dividend to 1p (0.875p adjusted)—last year's equivalent total was 2.25p.

The directors said that the full-year expectations of the US subsidiary, RF Technology was one of profitability. Continental Microwave Limited, the group's main trading subsidiary, continued to expand and record export deliveries had been achieved.

For the group as a whole the pattern of deliveries to customers favoured the second half of the year.

After tax of £113,000 (£65,000) earnings were given as 3.2p, against 1.4p. Fully diluted they were shown as 3.88p.

Attwoods rises 66% to £4.58m at midway

Attwoods, the waste disposal and quarrying group, has reported a substantial rise in pre-tax profits, up 66 per cent from £2.76m to £4.58m, for the six months ended January 31 1987.

Mr Ken Forman, the chairman, said that in the UK the company made several small but strategic acquisitions in line with the stated policy of profitable expansion of existing businesses. The successful integration of these acquisitions had improved the trading position of Drinkwater Sabey quarry products and waste management divisions.

Profitable growth—both internally and by selective acquisition—continued in the US. Mr Foreman said that the impact of the Peterson acquisition, announced in December, would be particularly notable since it had strengthened Attwood's position in a fast-growing area of the State of Florida where the company was keen to increase its representation.

The company currently had under active consideration a number of opportunities for expansion of the core business and the chairman said that current earnings continued satisfactorily; he was confident that 1987 would be a record year. The company has sought an ADR facility on the NASDAO exchange in the US and it was anticipated that the quotation will be obtained in April 1987.

Turnover in the first half of the year rose from £26.25m to £33.65m; tax charged was £1.11m (£902,000) and earnings per 25p share emerged at 7.5p (4.93p). *The interim dividend* is raised from 1.25p to 1.5p;

• comment

White Attwoods rarely stands still between reporting periods, this 52 per cent leap in earnings owes most to strong underlaying growth in the dominant, 75 per cent of profits, US portion of the group rather than acquisitions. County and Industrial Waste, the core Florida operations, have recently been joined by Patersons purchased for \$10m worth of Attwoods shares priced at 212p each. For the full year £10½m pre-tax looks a reasonable target with the UK operations doing better in the second half. Attwood's' shares have doubled in price over the last year, to 274p, which suggests a prospective p/e of 16½. Many in the UK market may feel that this *is* far too rich for a muck collecting business but US investors have few opportunities to buy similar stocks short of 28 times earnings. Even allowing for the general 30 per cent London discount against New York, Attwoods still looks cheap in American eyes and the ADR listing on NASDAQ next month will open up the stock to them, providing better liquidity and trading possibilities.

Cool summer helps lift Greggs' profits to £3.36m

Greggs, the Newcastle-based baker and retailer of grocery products, reported a rise of 27 per cent, from £2.65m to £3.36m in pre-tax profits for the year to December 27 1986. The increase included a profit of £114,000 on property disposals (nil).

Mr Ian Gregg, the chairman, said that once again favourable trading conditions during the cool summer helped considerably.

Capital expenditure for the year was £4.8m, excluding the acquisition of the new division (Geary's) in North London announced last July. This was split fairly evenly between shops and bakeries. Mr Gregg said that considerable capital expenditure was required to refurbish Geary's 23 shops and bakery, but it was expected to become profitable towards the end of 1987.

Profit improvements were made in each of the company's existing divisions, but initial losses had been made in Wales and Enfield.

Turnover in 1986 rose from £48.38m to £56.76m; interest receivable was £123,000 (£147,000). Tax took £1.31m (£1.12m), leaving £2.05m (£1.53m). Minority interests amounted to £32,000 (£22,000), and stated earnings per 20p share were 18.7p (14.0p). A final dividend of 3.7p net (2.65p) is recommended for a total of 5.7p (4.3p).

T & S expands 48% to £1.8m

T & S Stores, Walsall-based retailer of tobacco, confectionery and greeting cards lifted turnover by 34 per cent to £67.9m and pre-tax profits by 48 per cent from £1.22m to £1.8m for the year ended January 3 1987.

The directors stated that after two successful years on the USM, and with an increased interest and demand for the company's shares—they have trebled since flotation—they are to seek admission to the main market in May.

After tax of £674,000, compared with £476,000, stated earnings were 14.1p (9.29p) while the dividend is stepped up to 3.5p (3p) with a final payment of 2.1p.

Although 22 new units were opened during 1986, the directors pointed out that year-end liquidity improved by just over £1m to £2.7m.

MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Exporting

'Huge' potential for overseas sales

Charles Batchelor on marketing opportunities for UK companies

AS THE 1970s came to an end, Railex Systems, a small manufacturer of office filing systems, was faced with a dramatic fall in demand in its home market. A 40 per cent drop in its UK order book meant managing director Ken Wilson had to take some rapid decisions.

Railex, based in Southport, Lancs, had exported to the old British "empire" markets in the 1960s and 1970s but this business had dried up. In 1980 it decided it had no choice but to attack the Continent of Europe if it were to survive.

"We decided a filing system we had developed for the graphic arts industry was our best export product," says Wilson. "West Germany had a strong printing industry and its keenness for trade fairs allowed us to identify our potential customers, so we decided to start there."

Wilson reckons he now has four-fifths of the graphics art market in both West Germany and the UK and exports account for about 8 per cent of the output of his £10m turnover company. Not that exporting has been plain sailing. Currency fluctuations make accurate pricing of his products for the German market very difficult while a reliable prediction of the cost of Railex's marketing effort is also impossible.

Despite these difficulties Railex has overcome the difficulties which deter many small firms from selling abroad.

"You really have to have a structure to handle the intricacies of the paperwork," comments one export specialist. "Most small companies cannot carry that overhead. Exporting involves your staff having to travel, finding agents, acquiring language knowledge and knowing about customs and excise procedures. You have to understand a different legal system and matters such as shipping and licencing. You have to deal with a whole new set of rules for each market."

A recent survey published by the Small Business Research Trust revealed that the four main obstacles to exporting were perceived by British businessmen to be finance and delays in payments, paperwork, a lack of market information and the unsuitability of their products for export.

It may be little consolation to British companies but a survey in the US carried out in 1985 by the National Federation of Independent Business showed that US small firms blamed "red tape," better opportunities at home, difficulties in finding customers and the complexity of exporting for their failure to sell abroad. The single most important reason why US small firms started to export was the receipt of an unsolicited order from abroad.

The most exhaustive survey yet of the export performance of British small firms has just been completed and is due to be published later this month. Commissioned by the British Overseas Trade Board (BOTB) it reveals a huge untapped potential for small firms to increase their overseas sales.

It is expected to lead to a major new programme targeted at the senior management of smaller firms to persuade them that exporting is practicable.

The BOTB survey reveals that only half of the 12,000 firms with turnover of between £1m and £10m export and only one-third—or 2,000—of these are "active" exporters—that is, they have a thought-out strategy for selling abroad and that exports amount to more than 15 per cent of total sales.

If the 4,000 "passive" exporters—which respond to foreign orders but have no strategic plan—could be persuaded to become more active, Britain could increase its exports by £5.2bn a year, the report argues.

Apart from the BOTB programme, the Institute of Export, which has 5,500 individual and corporate members, is currently devising an export course for small firms — the first it has targeted at this sector of industry — to give advice on matters such as finance, the law and sources of information.

The institute is also drawing up a register of export specialists—retired businessmen with experience in this field — who would be prepared to help out a small firm with one or two days a week of export advice.

The CBI, too, plans to organise a series of seminars to increase awareness of exports among the owners and managers of small firms.

So what are the problems facing small firms keen to develop export markets?

● Information. Would-be exporters face an embarrassment of riches when it comes to basic information on their intended markets. The BOTB, the chambers of commerce, the banks, the Export Credit Guarantee Department, the export houses and specialist consultants all provide help.

The problem facing exporters is to know where best to go among all these organisations for help. "We felt the advice we were given was not targeted enough at our markets," comments Alistair Stewart, joint founder of Beacon Publications, a producer of bilingual industry guides for the Middle East.

"The providers of information all concentrate on their own territory," says Brian Ogley, a management consultant with lengthy overseas experience. "What is needed is a network to provide support. All the necessary information exists. All that is lacking is the linkage."

● Finance. A fear that they will not be paid dominates many businessmen's attitudes to exports—unjustifiably in the view of many experienced exporters. "Each year our worst debt is in the UK," notes Beacon's Stewart.

The answer appears to be that payment is not a problem if it is properly organised, export credit insurance is arranged and the terms of payment are set out clearly from the outset. If documents are not completed properly payments may be delayed, while the wrong choice of payments transfer can trap much-needed funds in the banking system.

A further factor to take account of is that successful development of new export markets can require an expansion of working capital.

When Smith and Telford, a manufacturer of cashmere and lambswool knitwear, built up a major new market in Japan it became painfully aware of the inadequacies of its capital backing.

"We were using a ton of cashmere a week, worth £100,000, says Michael Smith, chairman and managing director of the Hawick, Roxburghshire-based company. "Our manufacturing cycles take up to eight weeks so it was easy to run up an £800,000 overdraft."

Smith says his bank was sympathetic but its limits were finally reached and the Scottish Development Agency chipped in with £200,000 of share capital.

● Documentation. This is a daunting problem but can be overcome if experienced shippers and freight forwarders are used. "There could be up to 45 documents to complete on any deal," warns one expert. "In the UK market you don't have these problems."

● Language. Surprisingly, language does not appear to be a major barrier to foreign trade—probably because English is widely established as the language of business. Only one in 40 of the businessmen polled in the Small Business Research Trust survey perceived language to be a problem. Care must be taken, however, to translate promotional material into the local language.

Essential for overcoming these difficulties is a commitment by the exporter to developing overseas markets and a professional approach.

"Unless the chief executive is committed to exporting and systematic in his approach it won't succeed," warns John Wilson, director general of the Institute of Export. "It won't work as an add-on to help a company out of a temporary downturn in its home market."

A product or service which is suitable for the export market—or which can be modified to become suitable—is also necessary, says Ogley. "And once you have the commitment and the product you must allocate adequate resources to develop the market," he adds.

Despite the problems they face, small firms do have certain advantages—such as the ability to respond quickly to the needs of foreign customers and to develop a close personal relationship with overseas buyers.

"The advantages we can offer are lower project costs and faster results," says Jonathan Chapman, commercial director of Witton Chemical Company, a speciality chemical manufacturer of Bury St Edmunds, Suffolk. "We are more flexible than the big chemical companies and have a more practical awareness of our customers' problems. We can do a job in half or one-third of the time."

Above all, the experts warn, small firms should not be mesmerised by the mystique of exporting. "Firms in the south-east often forget it is as easy to get to France or the Netherlands as to the south-west of England or the north," comments one specialist. "We should forget that that bit of water exists."

New products

The innovative advantage

Paul Foley on what gives young companies a marketing edge

NEW PRODUCT development is likely to be the most influential factor in determining the financial success of small businesses. Some misgivings about the ability of small businesses to develop products and market them appear to be unfounded.

These are the results of a recent study which have particular relevance in the light of a growing realisation among organisations assisting small businesses that the beneficial effects of some of their initiatives are being undermined by "job shuffling."

This is what frequently results from assisting a business to start up in an already saturated market. For the consequence often is that another company in the sector will fail as a result, and that there will therefore be no net job creation.

The successful introduction of new products into a market will usually have few of the detrimental effects associated with assisting companies in existing markets.

The study investigated the development of new products and marketing management policies of 61 electrical engineering companies in north and west Yorkshire. The survey showed that there was a high level of innovative potential among the businesses. Thirteen had started in business by producing new products, a further 14 had diversified their activities by producing new products. The types of new products ranged from minute telecommunications equipment (bugging devices) to outside broadcast sound-mixing desks.

There was a marked reluctance to patent ideas, mainly because of cost and a lack of knowledge about the procedure. In addition, two small business owners had found from experience that patenting their ideas merely brought them to the attention of competitors who then developed the ideas further, created substitutes or marketed them in countries not covered by the patent.

Analysis of the 10 most successful companies showed that seven had developed new products. Six of these had very well developed marketing management policies with written business plans and a clear strategy for developing their new markets. None of the 10 least successful companies had developed new products. New product development made many of the small business owners more aware of the difficulties they would face in developing new markets for their product. As a result their marketing policies were often better developed than companies trading in established markets.

The development of new products was also an important feature among the 10 companies with the highest employment growth. Of these 10 companies, which created 366 new jobs in the last five years, nine were involved in developing new products.

Concern about the detrimental effects of "job shuffling" has led some organisations to introduce new initiatives.

Can you make it? exhibitions which introduce small businesses to other local companies currently importing products from abroad (or other parts of the country) can lead to local employment and economic growth. The detrimental effects are then incurred by other countries (or other parts of the country).

Although some product substitution may occur, as consumers use the new product as an alternative for existing products, competition and job shuffling are considerably reduced. New product development therefore has all the benefits of stimulating economic and employment growth.

Since the benefits can be considerable it is not surprising that initiatives to induce new product development have been increasing in recent years. Science parks and innovation centres are probably the best known examples but many other forms of help are also available.

The majority of these initiatives concentrate on the creation of new products with little assistance for marketing or sales after development. Since there is generally considered to be a lack of business acumen or marketing expertise among inventors this could be highly problematical. Indeed, many commentators have suggested that small businesses should only try to fill a niche in an existing market thanks to the difficulties involved in developing a new market with new products. Many of these doubts, however, are not borne out by the study.

The complex statistical analysis of factors contributing to small business success and simple analysis of the top and bottom 10 companies consistently showed that new product development is an important attribute for financial success and employment growth. The results of the survey indicate that organisations pursuing these aims will be far more effective in promoting economic growth and job creation than other groups indiscriminantly supporting any type of small business.

The author is a lecturer in the Department of Town and Regional Planning at Sheffield University. The study, entitled Marketing management policies and small business, forms his as yet unpublished Ph.D. thesis.

In brief ...

A 60-PAGE directory of craft businesses in Cornwall has been published to help bring local enterprises into contact with potential buyers. The directory lists the type of business, capacity, products and address of 250 companies in sectors including clothing, food and drink, furniture, jewellery and toys.

Contact Mr J. A. Rees-Evans, Industrial Development Officer, Cornwall County Council, Tel. 0872 71324.

●

FRANCHISING forms the subject of a two-day course to be held in London on May 19-20. The course costs £460, including VAT or £483, including VAT, if booked after May 8.

More information from Miss J. K. Van Wyck, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT.

●

A SERIES of nine regional seminars aimed at advising small firms of the assistance available nationally and from the EEC is to be held from April 28 to May 21. The seminars are organised by accountants Peat Marwick Mitchell with the help of the CBI and Business in the Community. More information from Peat Marwick on 01-236 8000 or local offices.

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For further information please contact:
S.J.L. Adamson, CA or
M.E. Mills, ACA,
Joint Administrative Receivers,
Arthur Young, Rolls House,
7 Rolls Buildings, Fetter Lane,
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For further information please contact:
S.J.L. Adamson CA or
M.E. Mills ACA,
Joint Administrative Receivers,
Arthur Young, Rolls House,
7 Rolls Buildings, Fetter Lane,
London EC4A 1NH.
Tel: 01-831 7130 ext. 4105.
Telex: 888604 AYLO.
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Price & Tarling Limited
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For further information please contact the Joint Administrative Receiver:
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Principal features are:

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By Order of The Administrative Receiver G W Rhodes Esq., FCA

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Tel: 01-920 0111 extn 317

Sale by Tender

KMG Thomson McLintock

By order of the Joint Administrative Receivers
S. S. James, Esq, FCA and M. D. McPhail, Esq, CA
Re: HOWARD DORIS LIMITED (in Receivership)

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A Company providing ingredients and/or services to Food Manufacturers.

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Interested parties please contact:
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Quoting reference number 198/204

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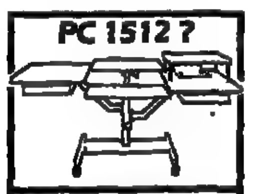

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APPOINTMENTS

Grand Metropolitan restructures IDV group

Following the acquisition by GRAND METROPOLITAN of Heublein Inc. from RJR Nabisco, Inc. which was completed last Friday, Heublein will become an integral part of IDV while retaining its separate identity. The following appointments have been made Mr Allen Sheppard, group chief executive, becomes chairman of IDV. Mr George Bull, chief executive and managing director of IDV, will now report direct to Mr Sheppard. Mr Tim Ambler is made deputy managing director of IDV, reporting to Mr Bull. Mr John Powers joins the IDV board. He will now report to Mr Bull, but retains his post as chairman of Heublein and the Heublein policy committee and will retain responsibility for arrangements with overseas principals. Mr Powers will also undertake certain tasks outside IDV on behalf of Grand Metropolitan.

Mr Robert Furek, currently chief operating officer of Heublein, will be appointed chief executive officer. He will report to London through the IDV executive director responsible for North America—Mr Ambler. In addition to his existing responsibilities, Mr Christopher Pearman, IDV executive director, will work closely with Mr Ambler and with the sales and marketing teams in the US. Mr John Patrick will maintain liaison with operating companies in the Far East and Australasia. Mr Bill Shardlow is apointed personnel director of the IDV Group, reporting to Mr Bull, and joins the board of IDV. Mr Shardlow joined Grand Metropolitan in 1983 and is currently personnel and administration director, brewing and retailing division.

★

Mr David Terrance has been appointed financial director (designate) of PPP (PRIVATE PATIENTS PLAN). He has been based in Monaco since 1985 as vice president controller of Single Buoy Moorings Inc.

The MOUNTLEIGH GROUP has appointed Mr Hamish Bethune a main board director. He was a director of Lonrho subsidiary Scottish and Universal Investments.

★

KUNICK LEISURE GROUP has appointed Mr Russell Smith as chief executive. He succeeds Mr David Hadd who will now become non-executive chairman. Mr Smith is chairman of the Music Hire Group, Kunick's amusement machine subsidiary.

★

BRITISH NATIONAL has appointed Mr John Hancock as agency director. He joined from Providence Capital.

★

Mr Larry Coyne, Channel 4's head of business development, is leaving television at the end of March to join house building and property group DECLAN KELLY, Guildford, as director of corporate development. A non-executive director with the group since 1985 he will be closely involved in the flotation of the company next year and in formulating new policies for expansion.

★

As part of the expansion of its international investment services, Manufacturers Hanover has transferred its offshore investment, trustee and financial planning activities to MANUFACTURERS HANOVER ASSET MANAGEMENT, based in Guernsey, and has named Mr W. Penman Brown managing director, Mr Owen E. Bourgaize, assistant managing director, Mr James A. Bottomley senior trust manager and Mr Peter J. Symes, manager. The chairman is Mr David Somers who is also managing director of Manufacturers Hanover Investment. The other officers were all senior officers of Manufacturers Hanover Bank (Guernsey). The changes form part of a restructuring which will achieve a closer liaison with other similar units in Geneva, Zurich, Hong Kong, New York and London.

AD 1692

Coutts & Co

Coutts & Co. announce that their Base Rate is reduced from 11.00% to 10.50% per annum with effect from the 10th March, 1987 until further notice.

All facilities (including regulated consumer credit agreements) with a rate linked to Coutts Base Rate will be varied accordingly.

The Deposit Rates on monies subject to seven days' notice of withdrawal are as follows:—

6.25% per annum Gross*
4.50% per annum Net (the Gross Equivalent of which is 6.34% per annum to a basic rate tax payer).

Rates are subject to variation and interest is paid half-yearly in June and December.

*Not ordinarily available to individuals who are U.K. residents

440 Strand, London, WC2R 0QS

National Westminster Bank PLC

NatWest announces that with effect from Tuesday, 10th March, 1987, its Base Rate is decreased from 11.00% to 10.50% per annum.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

41 Lothbury London EC2P 2BP

KINROSS MINES LIMITED

Mine Accident — 16 September 1986

Following press reports last week on proposed legal proceedings relating to the accident at the Kinross gold mine on 16 September 1986, the Attorney-General of Transvaal has authorised Kinross Mines Limited to issue the following statement:—

—No formal documents in regard to any charges have been served on any person yet. Draft charge sheets were however sent by the Attorney-General's office to the legal representatives of the company and the legal representatives of certain other parties who might be charged.

—The name of Mr. H. A. Smith, a director of the company, was listed in the draft documents purely as a nominee of the company. The Attorney-General was however unaware that Mr. Smith will be retiring shortly and has agreed to substitute another nominee for Mr. Smith as it is likely that the trial will only commence in May or June 1987.

Johannesburg, 10 March 1987

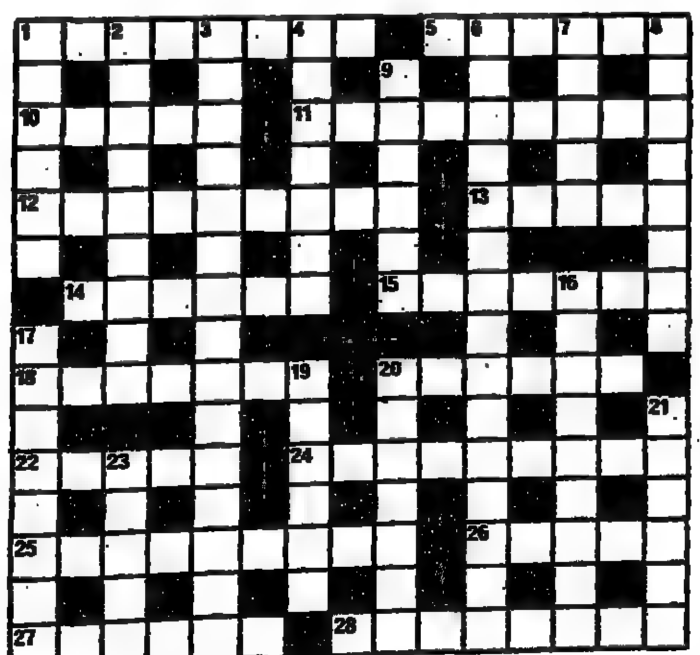
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD NO. 6,273

TANTALUS



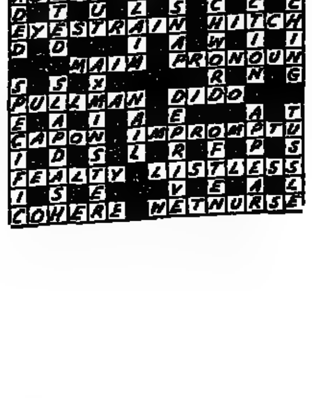
ACROSS

1 Underworld plant calamity (8)
5 Bird disease (6)
10 Officer right to get a pound for this necklace (5)
11 Where one is interrogated while eating? (5-4)
12 End of year—Irish town doesn't finish sporting contest (9)
13 Bury together (5)
14 Pass round one soft vegetable (6)
15 Sends back tobacco (7)
18 Not odd to have gin cocktail at this time (7)
20 Condescends when good man makes exclamation of surprise (6)
22 Complete raiment includes headgear (5)
24 Type of treatment to keep under your hat? (9)
25 I read act to oriental gathering—rout out (9)
26 Angry sea-robber loses his head (5)
27 Season for a pack-horse (6)
28 They deal out in an impassioned manner (8)

DOWN

1 Low fellow in river for a number of years (6)
2 Organise building (9)
3 To publicly speak for example (5, 10)
4 Urge on flight to have a drink (3-4)
6 Maybe this month I'll go east to see worm expert (15)
7 You said snake is on the first submarine? (1, 4)
8 Irregular hours Tim does to amuse us (8)
9 One may have this in 11 (6)
16 Agent on edge and gets a rebuke (9)
17 Cow on headland shows no sign of disorder (8)
19 Channel of water, French water, used in making cake (6)
20 Detailed 23 (7)
21 How one feels on retirement? (6)
23 Genuine male domain (5)

Solution to Puzzle No. 6,272



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	384.9	407.3		—
High Income	329.4	348.6		—
Property	217.6	230.3		—
Managed 2	95.9	101.5		—
Managed	271.4	287.2		—
Managed 4	99.1	104.9		—
Deposit	178.1	188.5		—
Gilt	189.8	200.8		—
American	276.6	292.7		—
International Money	195.9	207.3		—
Far East	211.9	226.3		—
Global	106.6	112.8		—
European	107.6	113.9		—
Japan	114.0	120.6		—
Heritage Property	98.5	104.2		—
2nd Series Pension Accumulation				
Equity	618.8	654.8		—
High Income	395.0	418.0		—
Property	306.6	324.4		—
Managed 2	95.9	101.5		—
Managed	395.1	418.1		—
Managed 4	99.6	105.4		—
Deposit	265.9	281.4		—
Gilt	270.0	285.7		—
American	439.8	465.4		—
International Money	281.4	297.8		—
Far East	236.8	250.6		—
Global	109.8	116.2		—
European	111.1	117.6		—
Japan	119.4	126.3		—
Heritage Property	99.9	105.7		—
Other Funds				
Equity Units		85.07		—
Property Units		22.90		—
Balanced Bond/Exec	38.26	40.09		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	123.0	130.0		—
Rick & Reward Bond	162.0	171.0		—
Murray Johnstone Fd	137.0	145.0		—
Money Market Fd	111.0	117.0		—
Investment Strategy Fd	101.0	107.0		—
Ivory & Sime Pens Fd	125.0	132.0	+2.0	—
Rick & Reward Pens Fd	144.0	152.0		—
Murray Johnstone Pens Fd	134.0	142.0		—
Money Market Pens Fd	111.0	117.0		—
Inv Strategy Pens Fnd	102.0	108.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Current Series				
Property Fund	120.8	127.2		—
Money Fund	231.2	243.4	+0.1	—

[illegible]

Devonshire Life—Contd.

Money	101.1	106.5	+0.1	—
Pen Managed	143.2	150.8	+0.2	—
Pen World Growth	105.6	111.2	−0.6	—
Pen UK Equity	160.2	168.7	+0.5	—
Pen UK Small Cos	146.5	154.3	+0.1	—
Pen European	98.8	104.1	−0.9	—
Pen Far Eastern	231.6	243.9	+1.4	—
Pen Nth American	97.7	102.9	−0.8	—
Pen Fixed Interest	118.2	124.6	+1.1	—
Pen Index Lnkd Stks	109.8	115.6	+0.1	—
Pen Money	106.3	112.0	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	105.1	110.7	+0.1	—
Blue Chip Fund	142.4	150.2	−0.1	—
Performance Fund	166.6	175.4	−0.8	—
Adventurous Fund	159.3	167.7	−0.5	—
Pensions Secure	96.7	101.8		—
Pensions Blue Chip	110.5	116.4	−0.1	—
Pensions Performance	108.0	113.7	−0.6	—
Pensions Adventurous	106.8	112.5	−0.4	—
Pensions With Profits	102.9	108.4	−0.1	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	189.5	196.2		3.76

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	185.8	195.5	−0.5	—
Fd of Inv Tsts	157.7	166.0	+0.1	—
Gilt & Fixed Int	121.1	127.5	+0.7	—
High Income	174.1	183.3		—
Intnl Growth	114.9	120.9	−0.7	—
Managed	142.1	149.6	−0.1	—
Money	109.9	115.7	+0.1	—
North American	128.4	135.2	−0.5	—
Pelican	165.1	173.8	−0.2	—
Property	108.8	114.5		—
Special Sits	174.3	183.5	+0.6	—
School Fee Managed	157.4	165.7	−0.1	—
Pension Funds				
Far Eastern	211.4	222.5	−0.6	—
Fd of Inv. Tsts	176.1	185.4	+0.2	—
Gilt & Fixed Int	127.3	134.0	+0.9	—
High Income	201.8	212.4		—
International Growth	119.5	125.8	−1.0	—
Managed	157.4	165.7	−0.1	—
Money	120.2	126.5	+0.1	—
North American	135.5	142.6	−0.6	—
Pelican	187.2	197.0	−0.2	—
Property	109.1	114.8		—
Special Sit	199.7	210.2	+0.6	—

Equity & Law 0494 33377

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INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	436.9	459.9	-1.1	—
Property	265.1	279.1		—
Fixed Int	164.8	173.5		—
UK Equity	548.5	587.9	-6.8	—
Int. Equity	341.8	359.8	+3.2	—
Deposit	158.7	167.1	-3.5	—
Managed Property	247.7	266.1		—
American Eagle	115.6	121.7	+0.6	—
Technology	110.6	116.5	-1.1	—
Worldwide Income	179.0	188.9	+0.1	—
Pacific	182.4	192.0	-0.8	—
Australian	94.4	99.4	-2.0	—
Japan	295.5	311.1	+0.1	—
Commodity	117.3	123.5	-1.8	—
Gold	154.1	162.3	+0.4	—
Financial	211.7	222.9		—
Income	253.6	266.8	+1.0	—
Special Situations	245.8	258.7	+1.3	—
Preference	144.4	152.0	+1.8	—
Managed Currency	95.4	100.5		—
European Spec. Sits.	190.8	200.9		—
Sterling	110.5		-4.8	—
Residential Property	99.4	104.7		—
Pension Funds				
Managed Pension	1330.9	1409.4	-3.1	—
Gilt Pens.	569.9	989.4	-1.4	—
Property Pens.	712.0	745.0	-1.4	—
Equity Pens.	684.7	720.8	+6.7	—
Index-L. Pen	129.8	136.7	+6.1	—
Guar. Pen.	263.0	276.9	+0.1	—
Leicester Retirement	172.1	181.3	+0.5	—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	191.7	201.8	—	—
Gilt & Fixed Int Fd	139.5	146.8	—	—
Cash Fund	124.6	131.2	—	—

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent Medway 812348

LACOP Units	17.46	18.38	—	—

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

Managed	331.6	349.1	—	—
Gtd. Mgd.	299.4	315.3	—	—
Property	327.0	344.4	—	—
American	257.2	270.9	—	—
UK Equity Fund	378.5	398.3	—	—
High Yield	446.7	470.4	—	—
Gilt Edged	261.6	275.3	—	—
Money	243.3	256.3	—	—
International	264.2	278.2	—	—
Fiscal	292.9	308.4	—	—

The Purchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Purchester Managed Funds

Albany (z)	121.0	127.3	-0.1	—
Cornhill (z)	107.0	113.0		—
Irish Life (z)	119.2	125.5		—
Royal Heritage (z)	106.7	112.4		—
Schroder (z)	202.6	308.0	-0.2	—
Skandia (z)	123.1	129.9		—
Target (z)	125.10	131.71	-0.7	—
Tindeng (z)	119.7	126.0	-0.6	—
Purchester Managed Pension Funds				
Albany (z)	133.6	140.6	-0.9	—
Schroder (z)	100.1	105.3	+0.1	—
Skandia (z)	130.7	137.5	+0.1	—
Target (z)	117.3	123.5	-0.3	—

Managed by Purchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Non-Clerical Med	127.1	133.8		—
Pens. Non-Schroder	514.2	541.2	+0.4	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical (z)	106.3	111.9	-0.6	—
Guardian Royal Exch.	102.2	107.4	-0.8	—
M&G Ass (Life)	117.1	123.3	—	—
M & G Ass (Pens)	136.3	143.2	—	—
Norwich Union Assr Mgs	54.9	57.8	-0.2	—
Royal Life (Unit Link Ass)	108.9	114.6		—
Scot Equitable (Life)	151.6	159.6	-0.4	—
Scot Equitable (Pens)	109.9	115.7	+1.1	—
Scot Mutual (Life)	157.8	166.2	-0.8	—
Scot. Mutual (Pens)	143.5	151.1	-0.8	—
Vanbrugh Life Ass.	122.0	128.5		—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	193.2	203.4	—	—
Target Mngd Pension	128.7	135.3	—	—
Albany Mngd Bond	164.4	173.0	-0.9	—
Albany Mngd Pension	208.5	219.4	-1.7	—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (BH)	177.2	186.4	—	—
Ultra Bond (Roy. H)	147.1	154.9	—	—
Flexible Managed (Hra)	151.7	159.7	—	—
Global Managed (Schr.)	133.8	140.8	—	—
Pension Fund (Roy. H)	123.2	129.7	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

[illegible]

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$18.82	-0.17	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Mets Growth	11.37	-0.02	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$19.39	+0.06	—
Dynamic Grwth Fd.	$22.40	-0.08	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.47	13.18	—	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	11.21	8.38	12.33	3-mth
CAFCASH 7-day Fund	11.20	8.37	12.32	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	11.10 (11.57CAR)			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.13	8.32	12.02	6mth
7-day Fnd	11.11	8.30	12.00	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.07	8.27	11.89	6-Mth
7-day Fund	10.79	8.07	11.59	6-Mth
Dollar	5.00	3.74	5.34	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.50	10.84	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
Mnt.Int.Chq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046.				
HICA, HICMA	11.25	8.41	12.31	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.00	7.47	10.90	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.84	Qtr
Beachmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth

[illegible]

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

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Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	56
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
	18	Brit Land	17
Glaxo	118	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	180	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55		
Marks & Spencer	18	Cons Gold	65
Midland Bk	55	Lonrho	24
Morgan Grenfell	35	Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Coffee talks prospects uncertain

PROSPECTS for a special International Coffee Organisation council meeting on reintroducing export quotas remain uncertain following last week's failure of talks on the issue, triggering a dramatic plunge, reports Reuter.

The ICO council is not likely to meet until late April if its executive board decides to call an emergency meeting to resume quota discussions, coffee traders said.

The executive board is scheduled to meet at the end of this month for routine administrative talks.

Under the terms of the International Coffee Agreement the ICO executive board —comprised of eight producer and eight consumer country representatives—can request a special council meeting, but must give at least 30 days' notice.

Although the notice period could be less in an emergency, at least two weeks would be needed for delegates to make travel arrangements.

And with Good Friday falling on April 17, an extraordinary council session is unlikely to be called before the week of April 27, traders said.

Export quotas are almost certain to be discussed at the executive board meeting, they added, but the tone of such discussions will depend on what happens to prices between now and then, and on producing countries' assessment of the market situation. If there is no further fall, producers may prefer to wait out the Brazilian frost season from June to August in the hope that a frost, or fear of one, may boost prices. A continued price fall could bring them back to the negotiating table in a more compliant mood, however.

Bangladesh sugar

BANGLADESH'S sugar production increased by nearly 60,000 tonnes over last year's season to total 140,000 tonnes at the end of this year's season, the Sugar and Food Industries Corporation said, reports Reuter from Dhaka.

As a result the country will be able to cut imports, corporation officials added. They said the country had already imported 37,000 tonnes and would buy a further 113,000 tonnes to make up a shortfall in the 1986/87 crop year, ending June 30. Imports in 1985/86 totalled 224,000 tonnes, of which nearly 100,000 tonnes were still in stock, they estimated.

Soviet purchase

AUSTRALIA has sold 180,000 tonnes of raw sugar to the Soviet Union for shipment over the next few weeks, according to Mr Neville Harper, Queensland's Primary Industries Minister, reports Reuter from Brisbane.

Moscow bought 189,000 tonnes of Australian sugar in 1986.

Phosphate talks

A JORDANIAN delegation has begun a tour of Tunisia and Morocco for talks on coordinating world marketing of phosphates. The official Petra newsagency said the tea mwas led by Mr Abdul Wahab Al-Majali, the deputy Prime Minister.

Farm incomes

EEC FARMERS' incomes rose slightly last year. Community statistics show that disposable income available to people employed in agriculture rose by 0.9 per cent in 1986 after falling 8.8 per cent in 1985. Income available to holders and members of their families working on the holding recovered by 2.5 per cent from 1985's 13.9 per cent fall.

Gold project

PLACER PACIFIC has submitted its final environmental plan for development of the Misima gold project in Papua New Guinea, reports Reuter from Sydney. This completes the documentation required to gain official approval from the Papua New Guinea government to proceed with the project.

Placer has estimated the epithermal deposit on Misima Island to contain proven and probable reserves of 62.1m tonnes containing 1.35 grams of gold and 20 grams of silver per tonne.

It is hoping for approval of the project next month.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	−1,150 to 90,500
Copper	−4,500 to 135,925
Lead	−700 to 227,475
Nickel	+450 to 4,788
Tin	−470 to 32,725
Zinc	+350 to 27,225
(ounces)	
Silver	+12,000 to 21,712,000

Last ditch effort begins for rubber agreement

BY WILLIAM DULLFORCE IN GENEVA

RUBBER producing and consuming countries are trying for the fourth time in two years to renegotiate a five-year price-stabilising International Natural Rubber Agreement. With the current Inra due to expire in October, the scheduled two-week session of the UN natural rubber conference, which opened in Geneva yesterday, is seen by both sides as a last-ditch effort.

Both sides are also extremely cautious in predicting the outcome. Only one minor change of position was perceptible yesterday from the impasse at the collapse of talks last October: the producers are ready to abandon their demand that the currency of the agreement should be Malaysian ringgits alone instead of the combined Malaysian-Singapore currency measure now used.

The main obstacle remains the big consumers' insistence that it should incorporate far-reaching alterations to the price adjustment mechanism, providing for automatic changes that would allow the price level to follow market trends more closey.

Hardine consumers — West Germany, Britain, the Netherlands and the US — want a review of prices every 12 months with automatic adjustment of at least 5 per cent whenever the market price during the six-month period preceding the review has on average exceeded the trigger levels at which the buffer stock manager has to buy or sell rubber.

Producers, emphasising the price stabilising purpose of commodity agreements, seek to avoid automatic arrangements and to leave price adjustments more to the discretion of the International Natural Rubber Council.

Another potential stumbling block is a US proposal that when the buffer stock, how 370,000 tonnes, grows to 450,000 tonnes, adjustment should be made only to the reference price, which determines the price levels at which the buffer stock manager can intervene by buying or selling on the market, but also to the lower indicative price.

In the producers' eyes the indicative price establishes a floor(assuring rubber growers of a return o ntheir investment and encouraging them to replant.

Last October the producers dropped their claim for a reference price of 265 Malaysian-Singapore cents a kilo, accepting an unchanged reference price of 201.66 cents in the new Inra. At present all the outstanding issues stem from consumer demands.

Mr Manaspas Xuto, the Thai chairman of the conference, said yesterday his consultations with both sides over the past few months led him to believe that a "promising opportunity" existed to conclude a new Inra. But there had to be give and take on the main issues.

Mr Gérad Guillonneau, the French spokesman for the consumers, said they were ready to "participate in serious discussions."

Traded options firms elected

BY DAVID BLACKWELL

THE London Commodities Exchange and the International Petroleum Exchange have elected 23 out of the total 30 member firms who will belong to the joint traded options facility, expected to begin trading in early June on the floor at Commodity Quay.

Late last year the two exchanges approved not only the introduction of traded options as a product, but also another category of traded options floor members. The aim was to broaden the membership of the exchanges and encourage outsiders with experience of traded options to apply.

Both the LCE and the IPE are moving to Commodity Quay and the two exchanges have worked together to set up the traded options facility.

"Traded options need a volatile and liquid futures base to succeed, and that is something we have no difficulty in providing on the existing LCE cocoa, coffee, sugar and IPE gas oil contracts," said Mr Jack Patterson, chairman of the joint formation committee on the project.

Options are increasingly seen as an attractive addition to traditional commodity and financial futures contracts, both in the US and UK.

Futures enable hedgers to lock in prices for the purchase or sale of commodities on particular dates, effectively transferring unwanted risks to speculators. But options are coming to be seen as more flexible and less risky, since they merely confer on the buyer the right to buy or sell, with no obligation to do so if the market moves adversely.

The most an investor can lose is the amount put up in the first place. However, they can be traded just like futures contracts.

Applicants for membership have been vetted for their willingness to make a commitment to trading on the floor and generate volume in traded options, according to the LCE. Existing members have not automatically become members of the new facility.

The final group of members will be admitted on April 1.

"In successfully attracting major existing users and completely new members to this facility, we have demonstrated our belief that these contracts (traded options) offer exciting new trading opportunities to those both involved in, or to date unfamiliar with, soft commodity or energy futures," said Mr Patterson.

The Chicago Mercantile Exchange, the world's second largest futures exchange, has set May 29 as the planned launch date for options on random length lumber futures, writes David Owen in Chicago. The contract will be the CME's fifth traditional commodity option and follows the launch of options on feeder cattle futures in January.

Agricultural exchanges to merge

BY RICHARD MOONEY

THREE OF the five markets operating at London's Baltic Exchange have agreed to merge so as to avoid duplication of regulatory and administrative costs involved in becoming a Recognised Investment Exchange (RIE), as required by the new financial services legislation.

The three are the London Potato Futures Association (LPFA), the Soya Bean Meal Futures Association (SOFMA) and the London Meat Futures Exchange (LMFE). The unified exchange will be called the Agricultural Futures Exchange.

Discussions are still taking place with the Baltic International Freight Futures Exchange (Biffex). The fifth Baltic market, the Grain and Feed Trade Association (Gafta), is in a somewhat different position from the others because it actually owns the exchange.

Representatives of all the exchanges have been discussing the possibility of an RIE structure since the beginning of the year and all five are represented on the new exchange's formation committee.

● The LMFE is dropping its pigmeat contract with effect from April 3 so that it can concentrate its efforts on the recently-introduced cash settlements contracts for pigs and live cattle.

Until last June the exchange had physical delivery contracts in Pigmeat, live pigs and beef. Then the last two were replaced by cash settlement contracts for pigs and live cattle, since which trading in the pigmeat contract, the only one remaining with physical delivery, has petered out.

But the exchange remains hopeful about the prospects for the pigs and live cattle contracts, which have both seen increasing trade this year. In February 131 lots of 100 pigs each were settled in the pigs contract, more than double the January figure.

Fall in Soviet oil exports seen

BY LUCY KELLAWAY

EXPORTS of oil from the Soviet Union to the West are likely to fall sharply over the next 15 years, a report published by the Policy Studies Institute and the Royal Institute of International Affairs said.

From a peak of 81.4m tons in 1984, exports are expected to have fallen to about 40m tons by the mid-1990s, and to 25m tons by the end of the century.

However, the report forecasts that falling oil exports will be offset in part by rising exports of Soviet gas, which could increase from about 30bn cubic metres in the mid-1980s to as much as 70bn cu m by the year 2,000.

The study also examines the commercial and political threats posed by the Soviet Union to its Western energy buyers and concludes that it is a relatively benign supplier. It fails to find any evidence that the Soviet Union has systematically cut prices to disrupt the market and argues that the Soviet Union has become "an experienced and very competitive participant" in oil and gas markets.

The claim that dependence on Soviet oil and gas supplies has prevented investments from being made in high cost rival projects in the West, is also dismissed by the report.

In regard to threatened security, it says the USSR's behaviour as a supplier has compared favourably with that of other oil producer countries, such as the Opec countries. "It is difficult to get excited about Soviet leverage in Western Europe where nearly all of Soviet crude oil and products is sold," it says, arguing that a disruption of supplies would be unlikely to be effective, and furthermore would be expensive to the Soviet Union in terms of foreign currency earnings.

The forecast fall in combined oil and gas exports will depress Soviet Union hard currency earnings and, assuming a gradual rise in the real oil price to about $25, earnings could fall from $15bn in 1985 to $13bn by the mid-1990s. However, this represents a recovery from 1986 earnings, which as a result of the collapse in the oil price could be as low as $8bn.

The author argues that this decline will be "far from disastrous" for the Soviet Union, although he notes that severe balance of payments problems could arise if oil prices remained below $20 a barrel.

The study concludes that the need for hard currency will not be enough to increase oil exports, which will be squeezed as oil production falls and domestic demand increases. By contrast availability of gas is expected to increase sharply, while the main constraint on gas exports is expected to be slow growth in demand from the West, and increases in competing sources of gas supply.

* *Soviet Oil and Gas Exports to the West, by Jonathan P. Stern. Joint Energy Programme (Policy Studies Institute and Royal Institute of International Affairs) Gower Publishing Company. £19.50.*

South Africa plans further exploration

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S state-owned oil exploration company, has located another small oil field off the Cape south coast.

The field cannot be exploited economically on its own according to Dr Louw Alberts, the director general of mineral and energy affairs, who says that its discovery justifies further exploration in the area.

The strike, which is 120 kilometres off-shore, is the second in 18 months and produced about 4,000 barrels of oil and 5m cu ft of gas a day in recent tests. Dr Alberts says viable exploration of off-shore oil is possible from a field capable of proudcing about 10,000 barrels a day for between 15 and 20 years.

At present South Africa produces no crude oil, though oil-from-coal plants supply an unofficially estimated 40 per cent of the country's liquid fuels. Recently the Government gave the green light to the R5.5m project to exploit off-shore gas reserves south of the Cape resort of Mossel Bay. Earlier this week EMSO, the project managers appointed by Soekor to handle the off-shore part of the project, said the government had brought forward the start of construction because of local shortages of skilled manpower.

Mr Stev Hrabar, EMSO's managing director, said plans to maximise the local content of the development would exceed the resources available to South Africa's construction and engineering industries and that to stretch skilled manpower resources the government had decided to bring the start date forward rather than extend the construction period. The government hopes that about 70 per cent of the equipment needed for the project will be made in South Arica.

LONDON MARKETS

STERLING'S early rise against the dollar triggered a general fall in base metals prices on the London Metal Exchange yesterday. Lead registered the biggest decline, with the cash position losing £10.50 of last week's £15 advance to close at £297 a tonne. Apart from the currency factor lead was depressed by the announcement of a smaller-than-expected fall in LME warehouse stocks last week—although after the 700 tonnes decline the total stood at its lowest level since June 1986. Copper stocks fell last week by 4,500 tonnes, the third substantial fall in three weeks. But, again, the fall was not as large as had been anticipated and so added to the downward pressure. Cash Grade A copper closed at £892.50 a tonne, adding £7 to last week's £14 fall. Cash aluminium alone defied the easier trend as sellers were discouraged by anticipation of a large fall in western world stocks being announced tomorrow by the International Primary Aluminium Institute.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	889-90	+1.5	—
3 months	849.50	−5	853/844

Official closing (am): Cash 891-2 (886-7), three months 850.5-1 (854-4.5), settlement 892 (887). Final Kerb close: 844-5.

Turnover: 1,105 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	892-3	−7	894.5/893
3 months	895-5.5	−4.5	898.5/897.5

Official closing (am): Cash 894.5-5 (904.5-5.5), three months 897.5-3.5 (901-1.5), settlement 895 (905.5). Final Kerb close: 893-3.5.

Standard			
Cash	862-4	−9	865/—
3 months	870-1	−5.5	870/—

Official closing (am): Cash 854-5 (867-8), three months 870-3 (880-2), settlement 855 (868). US Producer prices 66.50-70 cents per lb.

Total turnover: 28,800 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	296-8	−10.5	298
3 months	292-3	−4.75	296/293

Official closing (am): Cash 297.5-8.5 (306.5-8.75), three months 293.5-4 (298-8.5), settlement 298.5 (308.75). Final Kerb close: 294-5.

Turnover: 4,875 tonnes. US Spot 24-7 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2375-80	−22.5	2385
3 months	2388-8	−22	2400/2385

Official closing (am): Cash 2376-85 (2412-8), three months 2388-90 (2414-5), settlement 2385 (2415). Final Kerb close: 2390-5.

Turnover: 726 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	454-5	−6	458
3 months	449-9.5	−2	452/445

Official closing (am): Cash 457.5-2 (457.5-8), three months 446.5-6.75 (449.50), settlement 452 (458). Final Kerb close: 451-2.

Turnover: 4,800 tonnes. US Prime Western: 38.50-44 cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 16.99 (16.87) ringgit per kg. Down .02 ringgit per kg.

GOLD

Gold fell $2½ to $404¼-404¾ on the London bullion market yesterday. It opened at $405½-406 and was fixed at $404.85 in the morning and $405.00 in the afternoon. The metal touched a peak of $406-406½ and a low of $403½-404. Trading was quiet, lacking new factors, apart from a strengthening of the dollar.

GOLD BULLION (fine ounce)	Mar. 9	
Close	$404¼-404¾	(£254¼-255)
Opening	$405½-406	(£256¼-256¾)
M'n'g fix	$404.85	(£253.824)
Aft'n'n fix	$405.00	(£254.397)

GOLD AND PLATINUM COINS		
Am Eagle	$417-422	(£262¾-266)
Mapleleaf	$416½-419½	(£262½-264¼)
Kr'g'r'nd	$407½-410½	(£256¾-258¾)
½ Krug	$212½-215½	(£134-134½)
¼ Krug	$108½-109½	(£68¼-69)
Angel	$414-417	(£260¾-262¾)
1/10 Angel	$40-45	(£25¼-28¼)
New Sov.	$97½-98½	(£61¼-62)
Old Sov.	$97½-99	(£61¼-62¼)
$20 Eagle	$500-530	(£315-334)
Noble Plat	$544-552	(£342¾-347¾)

SILVER

Silver was fixed 0.1p an ounce lower for spot delivery in the London bullion market yesterday at 348.85p. US cent equivalents of the fixing levels were: spot 555c, up 1.75c; three-month 563.8c, up 1.85c; six-month 572.8c, up 2.1c; and 12-month 590.0, up 2.45c. The metal opened at 350-352p (554-556c) and closed at 348-350p (553-555c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	348.85p	−0.10	348p	−3.5
3 months	357.60p	−0.20	357p	−3.5
6 months	366.05p	−0.15	—	—
12 months	382.15p	−0.80	—	—

LME—Turnover: 0 (9) lots of 10,000 oz.

Three months final kerb 356-8p.

SOYABEAN MEAL

During a quiet session prices held with light commercial buying against speculative selling, reports Muirpace.

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
April	122.5-124.8	+0.75	123.5
June	111.0-112.0	—	111.5
August	108.5-108.5	−0.50	—
October	110.0-110.2	−0.25	110.0-109.5
Dec	111.5-112.7	−0.15	—
Feb	114.0-115.0	+0.50	—
April	114.5-115.5	−0.25	—

Sales: 86 (10) lots of 20 tonnes.

INDICES

REUTERS

Mar. 9	Mar. 6	M'th ago	Year ago
1555.4	1558.7	1611.5	1926.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 6	Mar. 5	M'th ago	Year ago
Spot	113.94	113.98	—	129.05
Fut	112.90	113.59	—	133.14

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 9 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1460/470	−35	$1380/320
Copper			
Cash Grade A	£892.5	−7	£891.5
3 mths	£895.25	−4.5	£909.5
Gold Troy oz	$404.5	−2.5	$405
Lead Cash	£297	−10.5	£308.5
3 mths	£292.5	−4.75	£308.75
Nickel			
Free Mkt	175/185c		165/185c
Palladium oz	$124.50	+1	$123.20
Platinum oz	$526.00	−0.5	$523.50
Quicksilver†	$200/210		$165/175
Silver troy oz	348.85p	−0.10	366.70p
3 mths	357.60p	−0.20	376.10p
Tin			
Free Mkt	£4380/380	−10	£4510/540
Tungsten	$47.08		$44.51
Wolfram 22.0lb	$44/48		$39/45
Zinc	£454.5	−6	£495
3 mths	£440.25	−2	£485.75
producers	$770/780		$770/790
OILS			
Coconut (Phil)	$370x		$450
Palm Malayan	$315v		$345
Seeds			
Copra (Phil)	$260		$295
Soyabean (U.S.)	$137.5		$144
GRAINS			
Barley Fut. May	£115.05		£116.10
Maize	£144.50		£143.50
Wheat Fut. May	£119.05	+0.45	£118.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1313.5	+11	£1386.5
Coffee Ft. May	£1,309	+6.5	£1538
Cotton A Ind.*	63.15c	−0.3	65.80c
Gas Oil Apr.	$148	+1.25	$150.5
Rubber (kilo)	60p		66.75p
Sugar (raw)	$204z	+2.5	$179.5
Wooltops 64s	481p kilo		416p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May.

COFFEE

A strong sterling performance influenced a slightly lower session during a very quiet morning, reports Drexel Burnham Lambert. Afternoon values recovered by £25-35 as commission house buying into weak resistance regained a small amount of the ground lost last week, but a poor turnover boosted by almost 2,000 self trades reflected general dealer reluctance for any major involvement.

COFFEE	Yesterday close £ per tonne	+ or −	Business Done
Mar.	1285-1290	+5.0	[illegible]
May	1308-1310	+17.0	1315-1289
July	1332-1335	+20.0	1338-1305
Sept	1355-1357	+18.5	1359-1333
Nov	1385-1387	+16.5	1388-1385
Jan	1410-1415	+18.5	1410-1390
Mar	1400-1440	+5.0	—

Sales: 3,595 (3,999) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 6: Comp daily 1979 99.73 (99.73); 15-day average 110.50 (111.59).

COCOA

Futures opened steadier as due and held the gains to the close. Little physical interest was apparent, both producers and consumer content to remain withdrawn, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
March	1295-1296	+13.5	1292-1279
May	1313-1314	+11.0	1320-1309
July	1343-1344	+10.5	1348-1338
Sept	1365-1367	+7.5	1371-1362
Dec	1391-1393	+10.0	1395-1390
March	1415-1418	+8.5	1420-1412
May	1436-1438	+11.0	1440-1438

Sales: 3,382 (2,392) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 9: 1603.44 (1584.16); 10-day average for March 10: 1572.80 (1570.10).

POTATOES

Values recovered after a slightly easier start, with May showing the greatest rise as keen buying found limited selling. April recovered the losses seen on Friday to close near the day's highs, but volume was comparatively poor. New crop positions attracted some trade, with April 1988 climbing strongly, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	171.80	168.10	172.10-167.80
May	184.30	178.50	184.50-180.85
Nov	93.00	92.30	93.00-92.00
Feb	100.80	100.00	—
Apr	128.50	124.50	128.00-125.00

Sales: 666 (833) lots of 40 tonnes.

SUGAR

Rumours that Mexico was considering making further sales produced an easier tone, reports C. Czarnikow.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	185.6-185.2	187.0-188.8	188.0-182.4
Aug	184.8-184.4	188.8-189.0	188.8-184.8
Oct	188.2-188.4	190.2-130.4	190.8-188.2
Dec	189.8-189.4	192.0-195.0	—
Mar	181.6-181.8	195.2-198.8	195.8-191.6
May	195.6-194.2	198.9-198.8	197.8
Aug	196.8-196.8	198.8-201.4	199.0

Sales: 3,331 lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $204.00 (£128.00), up $2.50 (up 50p) a tonne for March-April delivery. White sugar $218.50, up $2.00.

Tate & Lyle delivery price for granulated basis sugar was £235.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 6: Daily price 8.15 (8.03): 15-day average 7.57 (7.53).

PARIS—(FFr per tonne): May 1335/1340, August 1360/1363, Oct 1386/1391, Dec 1410/1425, March 1435/1450, May 1475/1490.

RUBBER

PHYSICALS—The London market opened slightly steadier, drifted lower throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 60.00p (same); April 61.00p (same); May 60.75p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 224.0 (223.0) and SMR 20 189.0 (186.5).

FUTURES—Index 685, April 639-649, April/June 645-650, July/Sept 648-658. Sales: Nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.51p per kg lw (+0.49). GB—Sheep 184.85p per kg est dcw (+3.56). GB—Pigs 80.26p per kg lw (+0.53).

FUTURES—Pigs: April 97.50, Aug 95.30, Oct 89.00, sales 11. Live cattle: April 97.80, sales 2.

US MARKETS

CRUDE OIL futures opened higher, reflecting steadier world oil prices but local and light commission house selling took the market to the lows, reports Drexel Burnham Lambert. The trade emerged to support the market which forced locals to cover their shorts, steadying prices. Gold futures remained on the defensive for most of the day as local long-liquidation and trade selling, following earlier local buying, depressed values. Silver futures were dominated by the locals, but there were indications of trade support. Platinum and palladium futures declined in early trading on local selling and commission house sell-stops before scale-down trade buying emerged. Trade and producer selling in sugar futures and commission house long-liquidation pushed prices lower before scale-down trade buying held the market to a narrow range

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	60.50	60.50	60.70	60.70
May	60.00	60.50	60.80	60.00
July	59.00	59.55	59.60	59.00
Sept	58.00	58.50	58.00	58.00
March	57.40	57.90	—	—
May	57.40	57.90	—	—
July	57.40	57.90	—	—

COCOA 10 tonnes, $/tonnes

[illegible]

COFFEE "C" 37,500 lb, cents/lb

[illegible]

COPPER 25,000 lb, cents/lb

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

[illegible]

ORANGE JUICE 15,000 lb, cents/lb

[illegible]

PLATINUM 50 troy oz, $/troy oz

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

[illegible]

LIVE HOGS 30,000 lb, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

[illegible]

PORK BELLIES 38,000 lb, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 555.0 (555.0) cents per troy ounce.

FREIGHT FUTURES

The market held the strong gains seen at the end of last week, but in very volatile conditions. A new contract high was seen at [illegible] for April. There was no fresh physical news, reports Clarkson Wolff.

[illegible]

Turnover 476 (787).

GRAINS

Old crop wheat firmed on bullish export figures for February, reaching the day's highs in mid-session before finding [illegible] house selling. Old crop barley saw shipper [illegible] merchant support. New crops traded steadier on shipper buying, reports T. G. Roddick.

[illegible]

OIL

Brent opened at [illegible] [illegible] —Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Mar.

	Latest	+ or −
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]

PRODUCTS—North West Europe. Prompt delivery cif ($ per tonne)

Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel Oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]

* April Petroleum Argus estimates.

HEAVY FUEL OIL

[illegible]

Turnover: 17 (64) lots of 100 tonnes.

GAS OIL FUTURES

[illegible]

Turnover: 6,263 (6,472) lots of 100 tonnes.

TEA

There were 40,081 packages on offer at the London tea auction, including 8,800 packages in the offshore section, reports the Tea Brokers' Association. There was less demand. Selected coloury Assams again sold readily at firm to dearer rates but mediums were 4-6p easier with heavy withdrawals of plainer sorts. Bangladesh teas continued [illegible] Bright liquoring East Africans opened [illegible]

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing March 2 amounted to [illegible] tonnes against only 351 tonnes in the previous week. Improved operations brought dealings in Chinese, Israeli, Colombian, Russian, American and West African [illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound firm despite rate cut

STERLING REMAINED at the centre of attention on the foreign exchanges yesterday. The Bank of England attempted to take the steam out of London's financial markets by allowing a surprise cut in UK bank base rates and with the announcement of a ten-year gilt-edged tap stock.

Reaction was limited however, with the pound rising to its highest level since last July, according to the Bank of England's exchange rate index.

Interest rates on the London money market moved lower, after the authorities signalled a reduction of ½ per cent to 10½ per cent in base rates, as dealers forecast a similar cut at the time of next week's Budget.

Gilts were easier before the tap announcement, and then fell sharply at the long end, but dealers said the selling appeared to be by domestic rather than overseas investors and the underlying tone remained good.

High London interest rates and an encouraging political background, with recent opinion polls increasing expectations of a further period of Conservative government, continued to attract money into London, at a time of growing doubts about a further appreciation by the D-Mark and Japanese yen.

Figures on UK producer prices were regarded as good by the market, and sterling was also supported by firm North Sea oil prices.

The pound's exchange rate index rose 0.6 to 72.4, after touching a peak of 72.5 at 1 pm.

Sterling eased 20 points to $1.5875-1.5885, but rose to DM 2.9450 from DM 2.9250, the highest level since last November. The pound also climbed to FFr9.8025 from FFr9.7300; to SFr2.4850 from SFr2.4650; and to Y244.25 from Y244.00.

The dollar was also firm, as dealers seem to be coming round to the opinion that there is more potential in pushing the US currency higher, after the Paris currency agreement.

The dollar improved to DM 1.8550 from DM 1.8395; FFr6.1725 from FFr6.1200; SFr1.5650 from SFr1.5600 and Y153.80 from Y153.40.

On Bank of England figures the dollar's index rose to 104.5 from 103.9.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 146.8 against 139.7 six months ago.

The D-Mark had a soft undertone in Frankfurt yesterday, as dealers noted the reluctance of the market to push the dollar down, and challenge the Paris currency agreement to stabilise the foreign exchanges. More notice is being taken of any sign of weakness in the West German economy. Last Friday it was reported that West German industrial orders fell 1.9 per cent in January, while unemployment remained at 10 per cent of the workforce.

The Bundesbank did not intervene when the dollar rose to DM 1.8515 from DM 1.8354 at the Frankfurt fixing. It closed at DM 1.8575, compared with DM 1.8350 on Friday.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 209.6 against 215.9 six months ago.

The yen continued to show little change against the dollar in quiet Tokyo trading. There may be a gradual decline in the value of the dollar against the yen this month as traders buy the Japanese currency to settle accounts at the end of the financial year. This will not put strong downward pressure on the dollar however, and at present there seems little to take it outside the present narrow trading range of Y153 to Y155.

The dollar closed in Tokyo at Y152.75 compared with Y153.55 on Friday.

£ IN NEW YORK

Mar 9	Latest	Previous Close
£ Spot	1.5880-1.5890	1.5840-1.5850
1 month	0.58-0.56 pm	0.59-0.58 pm
3 months	1.44-1.40 pm	1.50-1.47 pm
12 months	4.80-4.70 pm	5.00-4.90 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 9	Previous
8.30 am	71.9	71.5
9.00 am	72.1	71.4
10.00 am	72.2	71.4
11.00 am	72.4	71.6
Noon	72.4	71.7
1.00 pm	72.5	71.7
2.00 pm	72.4	71.9
3.00 pm	72.3	72.0
4.00 pm	72.4	71.8

CURRENCY RATES

Mar. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.792216	0.704209
U.S. Dollar	5.5	1.2615	1.12216
Canadian $	8.2	*	1.49999
Austrian Sch.	4	16.42132	14.6004
Belgian Franc	8½	48.4015	43.0432
Danish Krone	7	8.77894	7.81470
Deutsche Mark	3.0	2.3357	2.07880
Neth. Guilder	4½	2.63910	2.34811
French Franc	9½	7.7760	6.91697
Italian Lira	12	N/A	1477.04
Japanese Yen	2½	194.02	172.419
Norway Krone	8	8.76853	7.83021
Spanish Peseta	—	163.498	145.488
Swedish Krona	7½	N/A	7.29913
Swiss Franc	3.5	1.96966	1.75225
Greek Drach.	20½	N/A	151.772
Irish Punt	—	N/A	0.777386

*C$/SDR rate for Mar. 6: 1.68632.

CURRENCY MOVEMENTS

March 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.4	−21.4
U.S. Dollar	104.5	−2.9
Canadian Dollar	78.3	−10.4
Austrian Schilling	137.7	+10.2
Belgian Franc	100.0	−4.4
Danish Krone	93.0	+3.7
Deutsche Mark	146.8	+21.5
Swiss Franc	169.7	+20.4
Guilder	134.2	+13.9
French Franc	71.6	−12.8
Lira	48.1	−26.7
Yen	209.6	+56.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 9	£	$
Argentina	2.4415-2.4525	1.5350-1.5410
Australia	2.3425-2.3455	1.4715-1.4725
Brazil	28.1790-28.3390	17.7170-17.8060
Finland	7.2085-7.2210	4.5310-4.5330
Greece	213.10-216.55	134.25-136.45
Hong Kong	12.4100-12.4200	7.8025-7.8045
Iran	115.40*	72.25*
Korea (Sth)	1348.00-1360.20	851.10-858.10
Kuwait	0.44070-0.44140	0.27720-0.27740
Luxembourg	38.40-38.50	61.00-61.10
Malaysia	4.0200-4.0280	2.5275-2.5295
N. Zealand	2.8185-2.8260	1.7710-1.7740
Saudi Ar.	5.9625-5.9680	3.7500-3.7510
Singapore	3.4000-3.4100	2.1430-2.1450
S. Af. (Cm)	3.3035-3.3265	2.0810-2.0855
S. Af. (Fn)	5.8995-6.1255	3.7040-3.8460
Taiwan	55.10-55.40	34.80-34.90
U.A.E.	5.8390-5.8445	3.6725-3.6755

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0431	+1.38	+1.65	±1.5344
Danish Krone	7.85212	7.81470	−0.48	−0.21	±1.6404
German D-Mark	2.05853	2.07880	+0.98	+1.25	±1.0981
French Franc	6.90403	6.91697	+0.19	+0.47	±1.3674
Dutch Guilder	2.31943	2.34811	+1.24	+1.51	±1.5012
Irish Punt	0.768411	0.777386	+1.17	+1.44	±1.6684
Italian Lira	1483.58	1477.04	−0.44	−0.44	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5785-1.5940	1.5875-1.5885	0.59-0.56 c pm	4.35	1.47-1.49 pm	3.64
Canada	2.1153-2.1290	2.1180-2.1190	0.65-0.55 c pm	3.40	1.42-1	2.53
Neth'lands	3.29½-3.33½	3.32¼-3.33¼	1½-1¼ c pm	5.94	4-3¾ pm	4.77
Belgium	60.40-61.12	61.00-61.10	20-15 c pm	3.44	44-37 pm	2.65
Denmark	11.02½-11.09¼	11.08-11.09	¾-1¼ ore dis	−0.81	3⅝-4½ dis	−1.47
Ireland	1.0915-1.1060	1.1015-1.1025	0.25-0.40 p dis	−3.54	0.80-1.10 dis	−3.45
W. Germany	2.91½-2.95¼	2.94-2.95	1⅞-1⅝ pf pm	7.13	4⅞-4⅝ pm	6.11
Portugal	224.37-226.52	224.40-225.30	69-153 c dis	−5.92	261-427 dis	−6.12
Spain	205.36-206.53	205.60-205.90	56-65 c dis	−3.53	169-197 dis	−3.56
Italy	2072½-2098¼	2092½-2093½	4pm-2lire dis	−0.57	9pm-3lire dis	0.57
Norway	11.00½-11.07¼	11.05¾-11.06¾	3¾-4¼ ore dis	−4.00	12-12¾ dis	−4.50
France	9.70½-9.82½	9.79¾-9.80¾	2¾-2¼c pm	2.98	5¾-4½ pm	2.01
Sweden	10.24¼-10.29¾	10.27-10.28	½-1 ore dis	−0.80	1¼-2 dis	−0.63
Japan	242¼-245¼	243¾-244¾	1½-1¼ y pm	6.76	3¼-3⅛ pm	5.83
Austria	20.61-20.73	20.68-20.71	12⅞-11¼gro pm	6.81	28¼-26⅜ pm	5.33
Switzerland	2.45½-2.49	2.48-2.49	1⅝-1½ c pm	7.24	3⅞-3⅝ pm	6.04

Belgian rate is for convertible francs. Financial franc 61.40-61.50. Six-month forward dollar 2.70-2.65 c pm 12-month 4.78-4.68 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5785-1.5940	1.5875-1.5885	0.59-0.56c pm	4.35	1.47-1.42pm	3.64
Ireland†	1.4400-1.4480	1.4405-1.4415	1.01-0.96c pm	8.17	2.67-2.55 pm	7.22
Canada	1.3340-1.3350	1.3340-1.3350	0.09-0.12c dis	−0.94	0.35-0.40 dis	−1.12
Netherlands	2.0840-2.0970	2.0955-2.0965	0.19-0.15c pm	0.98	0.53-0.48pm	0.97
Belgium	38.20-38.50	38.40-38.50	3-4½c dis	−1.17	9-12 dis	−1.10
Denmark	6.94¾-6.98¼	6.97¾-6.98¼	2.85-3.55ore dis	−5.52	8.60-9.10 dis	−5.09
W. Germany	1.8450-1.8570	1.8545-1.8555	0.43-0.40pf pm	2.69	1.14-1.09 pm	2.41
Portugal	141¼-142¼	142-142¼	100-150c dis	−10.56	300-400 dis	−9.86
Spain	129.33-129.95	129.85-129.95	82-92c dis	−8.06	230-250 dis	−7.41
Italy	1307-1320	1317¼-1318¼	3-6lire dis	−4.10	7-14 dis	−3.19
Norway	6.92-6.96½	6.96-6.96½	4.80-5.30ore dis	−8.73	14.20-14.70dis	−8.32
France	6.14-6.18	6.17-6.17½	0.78-0.93c dis	−1.67	[illegible] dis	−1.74
Sweden	6.45-6.47¼	6.46¾-6.47	2.70-3.00 dis	−5.29	7.10-7.50 dis	−4.52
Japan	153.40-154.00	153.75-153.85	0.27-0.23y pm	1.95	0.83-0.78 pm	2.09
Austria	12.98-13.06	13.04-13.04½	2.60-2.10gro pm	2.17	5.75-4.75 pm	1.61
Switzerland	1.5550-1.5665	1.5645-1.5655	0.33-0.28c pm	2.35	0.93-0.88 pm	2.32

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.65-38.75.

EURO-CURRENCY INTEREST RATES

Mar. 9	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11¼	11-11¼	10⅞-10⅞	10⅝-10¾	9⅞-10	9⅞-10
U.S. Dollar	6⅛-6⅜	6⅛-6¼	6⅜-6½	6⅜-6½	6⅜-6½	6⅜-6⅝
Can. Dollar	7-7¼	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7¼-7½	7⅜-7⅝
D. Guilder	5⅛-5⅜	5⅛-5⅜	5⅜-5½	5⅜-5½	5⅜-5⅝	5⅜-5⅝
Sw. Franc	2½-2¾	2-2¾	4⅜-4½	4⅜-4⅝	4⅜-4⅝	3⅞-4⅛
Deutschmark	3⅞-3⅞	3⅞-3⅞	3⅞-4	3⅞-4⅛	3⅞-4⅛	4⅛-4⅜
Fr. Franc	7⅝-7⅞	7⅝-7⅞	7⅞-8	8⅛-8⅜	8⅛-8¼	8⅜-8⅝
Italian Lira	9-10	9-10	9⅝-10⅛	9⅝-10⅛	9⅝-10⅛	9⅝-10⅛
B. Fr. (Fin.)	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞
B. Fr. (Con.)	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞
Yen	4⅛-4¼	4⅛-4⅜	4⅛-4¼	4⅛-4⅜	4⅛-4¼	4⅛-4¼
D. Krone	11-11½	11-11½	11¼-11⅝	11¼-11⅝	11¼-11⅝	11-11½
Asian $ (Sing.)	1-1¼	N/A	3⅛-3⅜	3⅛-3⅜	3⅛-3⅜	3⅛-3⅜

Long-term Eurodollars: Two years 6⅝-6⅞ per cent; three years 7-7⅛ per cent; four years 7⅛-7⅜ per cent; five years 7½-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 9	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.588	2.945	244.3	9.808	2.485	3.328	2093.	2.119	61.05
$	0.630	1.	1.855	153.8	6.173	1.565	2.096	1318.	1.334	38.45
DM	0.340	0.539	1.	82.94	3.329	0.844	1.130	710.7	0.719	20.73
YEN	4.094	6.502	12.06	1000.	40.13	10.17	13.62	8569.	8.673	249.9
F Fr.	1.020	1.620	3.004	249.2	10	2.535	3.395	2135.	2.161	62.28
S Fr.	0.402	0.639	1.185	98.29	3.945	1.	1.339	842.3	0.853	24.57
H Fl.	0.301	0.477	0.885	73.40	2.946	0.747	1.	629.0	0.637	18.35
Lira	0.478	0.759	1.407	116.7	4.683	1.187	1.590	1000.	1.012	29.17
C $	0.472	0.750	1.390	115.3	4.627	1.173	1.571	988.0	1.	28.82
B Fr.	1.638	2.601	4.824	400.1	16.06	4.070	5.450	3428.	3.470	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fall sharply

GILT PRICES were sharply lower in the London International Financial Futures Exchange yesterday, using the issuing of a further tap stock to take profits in what was already an overbought market.

After a hesitant start, values were initially marked up as sterling continued to improve but there were already signs that the momentum was slowing and the recent pace of the rise in gilt values proved to be unsustainable. Consequently the turnaround was sudden and sharp and should herald at least a brief period of consolidation.

Reaction to the Bank of England's cut in dealing rates and a subsequent fall in base rates was taken well and values reacted positively but with the pound's rise stalling during the afternoon and news of a further £1bn tap stock issued, so the market took the opportunity to take profits. The June price opened at 122-12 compared with Friday's close of 122-13 and rose to a high of 122-18. Yesterday's 1.7 per cent fall in UK manufacturing costs and a 0.3 per cent rise in producer prices were both seen as being mildly encouraging. After the tap was announced, heavy profit taking took the price down to 120-30 before closing at 121-00. Trading volume was good with over 32,000 lots traded in June.

Three-month sterling deposits opened at 90.54 for June delivery compared with 90.55 on Friday and rose steadily to a high of 90.68. Prices were marked down during the afternoon but still finished firmer on the day at 90.57.

Sentiment remained bullish as the market still looked for at least another half point out.

US Treasury bonds trade quietly but there was little interest in the contract which closed at 99-27 for June delivery compared with an opening of 100-00 and Friday's close of 100-06.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	9.04	9.22	0.04	0.34
114	7.14	7.44	0.14	0.56
116	5.33	6.12	0.33	1.24
118	3.60	4.57	0.60	2.05
120	2.44	3.48	1.44	2.60
122	1.46	2.51	2.46	3.63
124	1.02	2.02	4.02	5.14
126	0.40	1.27	5.40	6.39

Estimated volume total, Calls 2,140 Puts 704
Previous day's open int: Calls 13,696 Puts 8,380

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	7.57	7.13	0.03	0.27
94	5.65	5.37	0.09	0.51
96	4.15	4.09	0.25	1.23
98	2.43	2.60	0.53	2.10
100	1.29	2.00	1.39	3.14
102	0.42	1.19	2.52	4.33
104	0.19	0.51	4.29	6.01
106	0.07	0.29	6.17	7.43

Estimated volume total, Calls 20 Puts 0
Previous day's open int: Calls 226 Puts 211

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last April	Puts—Last March	Puts—Last April
19000	7.64	11.67	0.84	1.37
19250	5.76	9.77	1.46	1.97
19500	4.16	8.04	2.36	2.74
19750	2.86	6.50	3.56	3.70
20000	1.87	5.16	5.07	4.86
20250	1.16	4.02	6.86	6.22
20500	0.68	3.06	8.88	7.76
20750	0.37	2.29	11.07	9.49

Estimated volume total, Calls 6, Puts 11
Previous day's open int, Calls 652 Puts 567

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.30	28.90	—	—	28.90	0.00	—	—	0.00
1.35	23.90	—	—	23.90	0.00	—	—	0.01
1.40	18.90	18.90	18.90	18.90	0.00	0.00	0.00	0.07
1.45	13.90	13.90	13.90	13.90	0.00	0.00	0.04	0.31
1.50	8.90	8.90	8.90	8.90	0.00	0.10	0.30	1.01
1.55	3.90	4.06	4.12	4.89	0.03	0.78	1.34	2.54
1.60	0.34	1.29	1.57	2.48	1.61	3.01	3.79	5.15

Estimated volume total, Calls 17, Puts 25
Previous day's open int, Calls 761, Puts 1,974

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.35	—	—	—	—	—	—	—	—
1.40	9.20	9.20	9.20	6.60	0.30	0.30	0.30	0.50
1.45	4.20	4.20	4.20	1.60	0.30	0.30	0.40	0.75
1.50	9.20	9.20	9.20	6.80	0.30	0.40	0.80	1.70
1.55	4.20	4.65	4.95	5.40	0.30	1.00	1.90	3.80
1.60	0.65	1.60	2.30	2.75	1.40	3.80	4.40	7.00

Previous day's open int: Calls 917 Puts 370
Volume: 239

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.400	19.10	18.00	—	19.10	—	—	—	0.05
1.450	14.10	13.05	14.00	14.10	—	0.05	0.15	0.30
1.475	11.60	11.60	—	12.60	—	0.05	0.25	10.50
1.500	9.10	8.15	9.10	9.10	—	—	0.50	1.00
1.525	6.60	6.70	6.80	7.00	—	0.30	1.05	1.55
1.550	3.90	4.00	4.80	5.20	—	0.75	1.60	2.50
1.575	1.85	2.70	3.10	3.70	0.20	1.85	2.50	3.20

Previous day's open int: Calls 71,898, Puts 60,606
Previous day's volume, Calls 4,470 Puts 2,969

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.54	0.59	0.65	—	0.00	0.03	0.09	—
93.25	0.29	0.39	0.46	—	0.00	0.08	0.15	—
93.50	0.07	0.22	0.31	—	0.03	0.16	0.25	—
93.75	0.01	0.11	0.19	—	0.22	0.30	0.38	—
94.00	0.00	0.06	0.10	—	0.46	0.48	0.54	—
94.25	0.00	0.01	0.05	—	0.71	0.70	0.74	—
94.50	0.00	0.00	0.02	—	0.96	0.94	0.96	—

Previous day's open int: Calls 2,106, Puts 2,394
Estimated volume, Calls 0, Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	120-24	122-03	121-02	122-05
June	121-00	122-18	120-30	122-13
Sept.	120-26	—	—	122-07
Dec.	121-01	—	—	122-14

Estimated volume 32,588 (30,215)
Previous day's open int. 16,858 (17,798)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	101-23	—	—	101-08

Estimated Volume 0 (0)
Previous day's open int. 64 (64)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar.	101-04	101-09	100-30	101-12
June	100-01	100-07	99-28	100-10
Sept.	99-05	99-10	98-30	99-12
Dec.	98-06	98-12	98-03	98-15
Mar.	—	—	—	97-20
June	—	—	—	96-26
Sept.	—	—	—	96-01
Dec.	—	—	—	95-09
Mar.	—	—	—	94-19
June	—	—	—	—
Sept.	—	—	—	93-13

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar.	0.6510	0.6516	0.6504	0.6510
June	0.6545	0.6552	0.6541	0.6544
Sept.	0.6586	0.6586	0.6580	0.6579

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar.	0.5395	0.5413	0.5393	0.5419
June	0.5428	0.5446	0.5426	0.5451
Sept.	0.5460	0.5470	0.5458	0.5480

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar.	93.54	93.56	93.53	93.58
June	93.56	93.57	93.54	93.60
Sept.	93.56	93.57	93.54	93.60
	[illegible]	[illegible]	[illegible]	93.51
	[illegible]	[illegible]	[illegible]	93.36
	[illegible]	[illegible]	[illegible]	93.17
	[illegible]	[illegible]	[illegible]	92.95
	[illegible]	[illegible]	[illegible]	92.73

U.S. TREASURY BILLS (IMM)
$1m points of 100%

STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
	[illegible]	[illegible]	[illegible]	291.20
	[illegible]	[illegible]	[illegible]	293.05
	[illegible]	[illegible]	[illegible]	294.40
	[illegible]	[illegible]	[illegible]	295.50

SWISS FRANC (IMM)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING $ per £

	Latest	High	Low	Prev
Mar.	1.5870	1.5930	1.5870	1.5845
June	1.5745	1.5800	1.5740	1.5710
Sept.	1.5630	1.5690	1.5600	1.5590

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.5873	1.5925	1.5867	1.5847
June	1.5736	1.5790	1.5720	[illegible]
Sept	1.5615	—	—	[illegible]

Estimated volume 78 (88)
Previous day's open int 1,149 (1,198)

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 9) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅜	offer 6½	bid 6⅜	offer 6½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7¼-7
Fed. funds	6
Fed funds at intervention	6⅛

Treasury Bills and Bonds

One month	5.37	Three year	6.56
Two month	5.66	Four year	6.72
Three month	5.84	Five year	6.80
Six month	5.93	Seven year	7.03
One year	6.04	10 year	7.24
Two year	6.44	30 year	7.53

Mar. 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.80-3.90	3.90-4.00	3.90-4.00	3.90-4.05	3.90-4.05	5.0
Paris	7⅞-7⅝	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	8-8⅛	7¾
Zurich	¾-1¼	4-4⅛	—	3⅞-4	—	—
Amsterdam	5⅛-5⅜	5⅜-5½	—	5⅜-5½	—	—
Tokyo	3.90625	4.15625	—	—	—	—
Milan	11½-11⅞	11¼-11⅝	—	11-11½	—	—
Brussels	8.25	7⅛-7⅜	—	7⅛-7⅜	—	—
Dublin	13⅞-14⅛	14-14⅛	13⅞-14	13⅞-14	13-13⅞	—

LONDON MONEY RATES

Mar. 9	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12-10½	11⅛-11½	10⅞-10⅞	10⅛-10⅛	10⅛-9⅞	10⅛-9⅞
Sterling CDs	—	—	10½-10⅜	10⅛-10	9⅞-9⅞	9⅞-9⅞
Local Authority Deposits	11½-11¼	11½-11⅛	10⅝-10½	10⅛	10	9⅞-9⅞
Local Authority Bonds	—	—	11⅛	10⅛	10⅛	10
Discount M'ket Deposits	11⅛-10	11½-11⅛	10⅞	9⅞	—	—
Company Deposits	—	—	11-10⅞	10⅛	10⅛	10
Finance House Deposits	—	—	10⅞	10⅛	10⅛	10⅛
Treasury Bills (Buy)	—	—	10⅛	9⅞	—	—
Bank Bills (Buy)	—	—	10⅛	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅞	10⅛	9⅞	—
Dollar CDs	—	—	6.40-6.35	6.35-6.30	6.35-6.30	6.45-6.40
SDR Linked Deposits	—	—	6⅛-6⅛	6⅛-5⅞	6⅛-5⅞	6⅛-5⅞
ECU Linked Deposits	—	—	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛

Treasury Bills (sell); one-month 10⅛ per cent; three-months 9⅞ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.6665 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8½ per cent; one-three months 8½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9 per cent; Under £100,000 8½ per cent from March 6. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

MONEY MARKETS

Base rates down

NATIONAL WESTMINSTER BANK was first to cut its base rate after a surprise reduction in Bank of England dealing rates. In the face of intense downward pressure, the Bank trimmed its band 1 and 2 dealing rates by half a point, effectively sanctioning a half point in base rates to 10½ per cent. Short term interest rates were a little restrained after the cut, reflecting the relatively high cost of short term finance in relation to base rates. Overnight interbank money spent most of the morning at 11¾-11⅝ per cent but eased on news of the cut to 11-10¾ per cent before rising to 12 per cent. Funds remained in short supply and late funds were bid at 10½ per cent.

Longer term rates showed the market's continued optimism about a further cut in rates with some dealers still looking for a further one point drop. Three-month interbank money was quoted at 10⅝-10¼ per cent to start with, unchanged from Friday night but eased slightly to 10⅛-10⅛ per cent.

UK clearing bank base lending rate 10½ per cent since March 10

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,015m and banks balances brought forward £140m below target. These were partly offset by Exchequer transactions which added £545m and a fall in the note circulaton of £345m. The Bank gave assistance in the morning of £47m through outright purchases of £32m of eligible bank bills in band 1 at 10⅞-10⅞ per cent and £15m in band 2 at 10⅞ per cent.

The forecast was revised to a shortage of around £300m before taking into account the earlier help and the Bank gave additional assistance of £166m through outright purchases of £45m of local authority bills and £27m of eligible bank bills in band 1 all at 10⅞ per cent and £94m of eligible bank bills in band 2 at 10⅞ per cent. Late assistance came to £15m, making a total of £228m.

In Frankfurt the Bundesbank announced its intention to offer further funds to the money market through another sale and repurchase agreement, The 35-day facility will be offered at a fixed rate of 3.80 per cent.

In Amsterdam the central bank accepted bids of Fl 6.5bn for its 11-day special advance facility at a rate of 5.3 per cent. The agreement will run until March 20 and replaces a maturing facility worth Fl 4.8bn.

In Paris the Bank of France cut its money market intervention rate to 7¾ per cent from 8 per cent when injecting funds through purchases of first category paper. It also cut its seven repurchase rate from 8¾ per cent to 8½ per cent.

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	Last	Aug 87 Vol.	Last	Nov 87 Vol.	Last	Stock
HOOGOVENS P	Fl.40	[illegible]	2.80	117	3.80	[illegible]	[illegible]	
KLM C	Fl.40	14	2.20A	50	4.20	10	4.80	Fl.41.70
KLM P	Fl.40	34	0.90	427	2.50	2	3.20	"
NAT. NED C	Fl.70	126	4.60	—	—	15	6.80	Fl.72.90
NAT. NED. P	Fl.65	—	—	—	—	38	2.20	"
PHILIPS C	Fl.50	472	0.90	483	2.50	157	3.60	Fl.48.70
PHILIPS P	Fl.50	380	2.70	165	3.60	91	4.20	"
ROYAL DUTCH C	Fl.220	1927	8.50	740	9.20	302	9.70	Fl.226.60
ROYAL DUTCH P	Fl.220	2056	1.80	250	7.50	12	12	"
ROBECO C	Fl.105	—	—	11	0.90	21	1.60	Fl.100.90
ROBECO P	Fl.95	11	0.40	10	1	10	1.80	"
UNILEVER C	Fl.520	387	20.50	152	28	5	39	Fl.536.30
UNILEVER P	Fl.480	201	0.808	13	4.20	5	7	"

TOTAL VOLUME IN CONTRACTS: 42,405

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	10½	Mat Credit Corp. Ltd.	11
Adam & Company	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10½
Allied Arab Bk Ltd	11	City Merchants Bank	11	National Girobank	11
Allied Dunbar & Co	11	Clydesdale Bank	11	Nat Westminster	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Northern Bank Ltd.	11
American Exp. Bk.	11	Consolidated Crdt.	11	Norwich Gen. Trust	11
Amro Bank	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
Henry Ansbacher	11	Cyprus Popular Bk	11	Provincial Trust Ltd.	12
ANZ Banking Group	11	Duncan Lawrie	11	R. Raphael & Sons	11
Associates Cap Corp.	11	E. T. Trust	12	Roxburghe G'rantee	11½
Authority & Co Ltd	11½	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Banco de Bilbao	11	Exeter Trust Ltd.	11½	Royal Trust Bank	11
Bank Hapoalim	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Leumi (UK)	11	First Nat. Fin. Corp.	11½	Trustee Savings Bank	11
Bank Credit & Comm	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Cyprus	11	● Robert Fleming & Co	10½	United Bk of Kuwait	11
Bank of Ireland	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	10½
Bank of India	11	Grindlays Bank	‡11	Westpac Banking Corp	11
Bank of Scotland	10½	● Guinness Mahon	10½	Whiteaway Laidlaw	11½
Banque Belge Ltd	11	HFC Trust & Savings	11	Yorkshire Bank	11
Barclays Bank	10½	● Hambros Bank	11		
Beneficial Tst Ltd	11	Heritable & Gen. Tst.	11		
Beneficial Trust Ltd	12	● Hill Samuel	§11		
Berliner Bank AG	11	C. Hoare & Co	11		
Brit. Bk. of Mid. East	10½	Hongkong & Shangh'	10½		
● Brown Shipley	11	Lloyds Bank	11		
CL Bank Nederland	10½	Meghraj Westpac Ltd.	11		
Canada Permanent	11	Meghraj & Sons Ltd.	10½		
Cayzer Ltd	11	Midland Bank	10½		
● Charterhouse Bank	11	● Morgan Grenfell	10½		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 9, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Ghana	Cedi	242.48
Gibraltar	Gibraltar £	1.0
Greece	Drachma	214.88
Greenland	Danish Krone	11.0850
Grenada	E. Caribbean $	4.30
Guadaloupe	Local Franc	9.8025
Guam	U.S. $	1.5880
Guatemala	Quetzal	1.5880
Panama	Balboa	1.5880
Papua New Guinea	Kina	1.4807
Paraguay	Guarani	381.91 / 1115.45
Peru	Inti	exc(o)22.19 / (F) 32.06 / (Fn) 28.985
Philippines	Philippine Peso	32.00

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	97½	Exch. 10½pc 1987	99⅞		10.50	10.58
100	93⅝	Funding 6½pc 85-87	99	+⅛	6.52	8.71
101½	96	Treas. 10pc 1987	99	+	10.00	9.94
98	90	Treas 3pc 1987	98	−	5.09	7.08
104½	99½	Treas. 12pc 1987	101½	+	11.84	9.77
99¼	92	Treas 7¼pc 1985-88‡‡	98	−	7.85	9.20
104	96¼	Exch 10½pc '88	100	−	10.41	9.71
102⅝	95½	Treas 9¾pc Cv '88	100	−	9.75	9.74
95	86⅝	Transport 3pc '78-88	95	−⅛	3.15	6.84
102½	93	Treas. 9½pc '88	99	−	9.84	9.74
107	98	Treas 11½pc 1989	103	−	11.14	9.60
103⅝	93½	Treas 9½pc Cnv 1989	99	−	9.53	9.63
92¼	82	Treas 3pc 1989	91	−	3.26	6.95
105	95	Treas 10½pc 1989	101	−	10.31	9.55
104	94½	Exch 10pc 1989	100¾	−	9.91	9.58
107	97	Exch 11pc 1989	103	−	10.66	9.53
93	84½	Treas 5pc 1986-89	93¼	−	5.36	7.88
110	94½	Exch 10¼pcCv '89	104⅝	......	9.80	8.00
114	103	Treas 13pc 1990‡‡	108½	−	11.95	9.41
108½	97½	Exch 11pc 1990‡‡	103	−	10.60	9.48
113½	101	Exch. 12½pc 1990	107⅝	−	11.60	9.48
89½	79⅝	Treas. 3pc 1990	88	+	3.39	7.12
100	89½	Treas 8¼pc 1987-90‡‡	98½	−	8.39	8.82
106	93	Treas. 10pcCv 1990	101	−	9.88	9.58
86	76½	Exch 2½pc 1990	85	......	2.91	6.84
112	99	Treas 11¾pc 1991	107	−	10.98	9.50
94⅝	83	Funding 5¾pc '87-91‡‡	91	−	6.27	8.20
86½	79	Treas. 3pc 1991	85½	−	3.51	7.09
105	95	Treas 10pc Cv '91	104½	−	9.55	8.66
110⅝	96	Exch. 11pc 1991	105	−	10.45	9.55
118⅝	103⅝	Treas 12¾pc 1992‡‡	112	−	11.53	9.46
107⅝	92	Treas 10pc 1992	103	+	9.77	9.38
		Five to Fifteen Years				
109⅝	94	Treas 10½pc Cv 1992‡‡	104	−	10.07	9.42
117	101	Exch. 12¼pc '92	111	−	10.98	9.48
123⅝	106⅞	Exch 13½pc 1992	116	−	11.58	9.56
108	93	Treas 10pc 1993‡‡	102⅝	−	9.74	9.42
120⅞	103½	Treas 12½pc 1993‡‡	114	−	10.97	9.50
92	78½	Funding 6pc 1993‡‡	87	−	6.87	8.56
128⅝	109	Treas 13¾pc 1993‡‡	120	−	11.43	9.57
133⅝	113	Treas 14½pc 1994‡‡	125	−	11.58	9.46
127½	108½	Exch 13½pc 1994	119⅝	−	9.76	9.57
103	97	Treas. 10pc Ln. 1994	102	−	9.69	9.38
122½	103½	Exch. 12½pc 1994	115	−	10.88	9.50
104	86⅞	Treas 9pc 1994‡‡	98½	−	9.13	9.26
120⅝	101	Treas 12pc 1995	113½	−	10.56	9.49
79	68⅝	Exch 3pc Gas 90-95	77½	−	3.81	6.40
110⅝	92½	Exch. 10¼pc 1995	104	−	9.80	9.44
126½	106	Treas 12¾pc 1995‡‡	118	−	10.72	9.49
133⅝	112	Treas. 14pc '96	125	−	11.14	9.62
103⅝	86	Treas 9pc 1992-96‡‡	98	−	9.15	9.26
142⅝	119½	Treas 15¼pc 1996‡‡	133½	−	11.38	9.59
130½	108⅞	Exch 13¼pc 1996‡‡	122½	−	10.79	9.48
85	74½	Redemption 3pc 1986-96	84	−	3.55	5.30
106⅞	90	Conversion 10pc 1996	103	−	9.68	9.45
131½	108	Treas 13¼pc 1997‡‡	123	−	10.73	9.52
112⅝	93½	Exch 10½pc 1997	106½	−	9.85	9.45
101⅝	84	Treas 8¾pc 1997‡‡	95¾	−	9.15	9.36
—	—	Tr 8¾pc 1997 B(£40pd)●	96½		9.07	9.28
143	118	Exch 15pc 1997	134	−	11.17	9.74
107⅝	89	Exch. 9¾pc 1998	101	−	9.59	9.48
88⅝	72½	Treas 6¾pc 1995-98‡‡	83⅝	−	8.05	9.07
148⅝	123	Treas. 15½pc '98‡‡	139	−	11.07	9.66
124½	102	Exch. 12pc 1998	116	−	10.29	9.54
107⅝	88½	Treas 9½pc 1999‡‡	100⅞	−	9.39	9.32
126½	104	Exch. 12¼pc 1999	118⅞	−	10.30	9.57
114	94	Treas. 10½pc 1999	107	−	9.79	9.47
112	92	Conversion 10¼pc 1999	105	−	9.72	9.48
103⅝	85½	Conversion 9pc 2000‡‡	97	−	9.29	9.34
133½	110	Treas. 13pc 2000	125	−	10.40	9.63
111½	91	Treas 10pc 2001	104	−	9.58	9.42
137½	114½	Treas. 14pc '98-01	128⅞	−	10.84	9.67

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

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DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكرامن الأحمل

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
128	81	‡Meeks & Crane 10p	126		L2.7	2.9	3.0	15.4
339	210	Morgan Crucible	315	−3	†8.5	1.5	3.8	20.9
24	15½	‡Morris (W) F.A. 20p	21½		—	—	—	—
194	65	Myson Grp 10p	193		†2.63	2.6	1.9	24.9
365	213	‡N.M.W. Computers	300	+9	†6.0	3.0	2.8	17.3
225	27	Nash Inds.	197	+5	1.5	2.6	1.1	49.9
*27½	12½	Neil & Spencer 10p	18	−½	—	—	—	—
47	28	Newman Inds 10p	42	−1½	†0.8	1.5	2.7	(32.1)
134	65	Noble & Lund 10p	88	−4	0.7	4.3	1.1	29.0
166	151	Nobo Group 10p	164	+1	R4.75	2.8	4.1	12.5
65	39	Nolton	53	+4	1.2	2.9	3.2	15.2
166	96	‡Norank Systems 5p	157		m1.5	—	1.3	20.1
351	187	Norcros	344	+32	†9.3	2.3	3.8	15.7
303	49	Nu-Swift 5p	303	+3	†3.5	2.1	1.6	40.7
£356½	£228	OCE 9pc Cnv 1987-92	£247½	+2	Q9%	—	(3.7)	—
143	80	Oakwood Grp	138	−2	4.0	0.6	4.1	53.1
250	173	Office & Elect	202	−2	8.5	2.9	6.0	8.2
53	26	‡Omnitech 1p	53	+3	—	—	—	—
36	18	‡Optometrics $0.01	21		—	—	—	—
905	500	Oriflame £1	900	+5	t28.5	2.1	4.5	17.5
10	5	Ovenstone 12½c	7	+½	†Q3.23c	1.9	14.3	3.7
153	85	‡PCT Grp 10p	150		d3.2	—	4.4	—
£22½	£13½	PLM "B" Sk 25	£20½	−⅛	Q24%	◆	3.1	◆
255	160	‡Pacer Systems $0.01	208	+6	L.Q31.5c	4.3	1.3	18.5
242	97	Pacific Dunlop $0.5	223		†Q11.3c	2.1	2.2	22.4
78	44	‡Pacific Sales 10p	68		3.0	1.4	6.2	16.2
558	246	Parker Knoll 'A'	558	+21	†12.0	3.2	3.1	14.5
260	83	‡Parkfield Group 2p	250	+2	†3.6	4.2	2.0	15.9
53	17	‡Pavion Intl	28	−1	—	—	—	7.4
£130	£64½	Do 11pc CvLn '94-02	£95½		Q11%	—	(12.2)	—
617	393	Pearson	546	−7	†10.0	2.8	2.6	17.8
74½	12	Peek Holdings 3p	73	−½	—	—	—	—
202	88	Peerless	200		‡6.3	2.0	4.4	(13.1)
625	141½	Pentland 10p	620	+5	†‡0.75	22.4	0.2	95.1
£14	775	Photo-Me	£12⅝	+⅛	†5.75	11.7	0.6	16.5
792	315	Pilkington Br. £1	750	−10	F22.0	2.3	4.1	(11.9)
378	68	Do. Warrants	366	+3	—	—	—	—
£558½	£293	Pitney-Bowes Cnv. Ln.	£524½		Q5½%	—	1.1	—
96	52	Plastic Const. 10p	65		†2.8	1.5	6.1	17.1
*12	5½	Platignum 5p	11	+1½	8	—	—	19.0
200	115	‡Plaxton Int.	183	+3	3.08	4.1	2.4	11.1
146	98	‡Plumb Hldgs. 5p	145		Rd3.0	2.3	2.9	21.1
46½	9½	Polymark 10p	39		8	—	—	—
[illegible]	[illegible]	Do. CnPfA £1	158	−3	10%	—	9.4	—

[illegible]

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
93½	32	Leisure Inv 10p	91		0.36	7.4	0.6	[illegible]
*112	55	Leisuretime Intl 10p	87		†2.3	0.9	3.7	[illegible]
123	91	‡Lewmar	111	+2	u2.63	3.4	3.3	[illegible]
127	71	‡Marina Dev. 50p	118	−5	‡R3.15	3.0	3.7	[illegible]
196	143	Mecca Leisure 10p	186	−3	L4.1	1.8	3.1	[illegible]
220	86	‡Media Tech Int 20p	133	+2	2.8	4.5	3.0	[illegible]
*215	130	Medminster 10p	185		†6.25	1.9	4.8	[illegible]
270	114	Midsummer Leis 50p	270	+50	4.0	3.9	2.1	[illegible]
220	130	‡Mrs World 10p	200		6.0	◆	4.3	[illegible]
90	62	Nationwide Leisure	76		◆	—	4.6	[illegible]
17	8	‡Nimslo Int 20c	10		—	—	—	[illegible]
94	29	Omnicorp Inv. NZ$0.5	56		Q0.5c	8.0	0.3	[illegible]
294	114	Orient Ex Hlt $0.125	205		—	—	—	[illegible]
57¾	23	‡Owners Abroad 3p	57½	+1½	1.5	2.3	3.7	[illegible]
175	46	Pincus (Leo.)	135		—	—	—	[illegible]
73	25½	‡P'cdly Radio NV 5p	73	−3	2.0	1.4	3.9	[illegible]
95	25½	‡Pineapple 10p	88		—	—	—	[illegible]
391	280	Pleasurama 5p	365	−1	†7.5	3.6	2.9	[illegible]
178	136	Do. 7pcCvCumRedPf	164	−1	7%	—	6.0	[illegible]
157	94	Prestwich	143	+1	0.85	6.9	0.8	[illegible]
93	18	‡Radio City 'A' NV	93		—	—	—	[illegible]
88	53	‡Radio Clyde NV	85	+12	3.5	1.6	5.8	[illegible]
481	322	Really Useful Grp 5p	460	−13	11.25	2.2	3.4	[illegible]
70½	36½	Riley Leisure 10p	60	−½	—	—	—	[illegible]
230	129	Saga Hols. 20p	166		4.6	2.6	3.9	[illegible]
355	148	Samuelson Grp 20p	175		2.4	6.5	1.9	[illegible]
123	69	‡Sangers Photo 10p	103		‡12.2	1.5	3.0	[illegible]
178	93	Scaero 20p	118		p4.0	3.5	4.8	[illegible]
446	175	Scott. TV 10p	443	−2	†10.5	3.3	3.3	[illegible]
27	7	‡SelecTV 10p	18	+1	—	—	—	[illegible]
37	19	‡Spectrum 5p	22	+1	—	—	—	[illegible]
310	119	Stanley Leisure	275	−15	d3.25	2.8	1.2	[illegible]
68	31	TSW 5p	66½	+½	2.05	2.6	4.3	[illegible]
319	137	‡TV-am 10p	302	−4	R5.75	2.6	2.7	[illegible]
*380	144	TVS N/Vtg 10p	373	+8	10.0	◆	3.8	[illegible]
128	59	‡Teledisian Svcs 50p	77	+1	†2.0	2.9	3.7	[illegible]
436	219	Thames TV	436	+7	d9.5	1.9	3.1	[illegible]
98	50	Tottenham Hotspur	84	+2	—	—	—	[illegible]
120	60	‡Trillion 10p	116	−3	1.1	3.5	1.3	[illegible]
471	140	‡Tyne Tees TV 'A' £1	458	+91	†a10.5	2.0	3.2	[illegible]
151	74	Ulster TV	119½	−1½	3.15	3.6	3.7	[illegible]
100	36	‡Vineplan 5p	80	+3	1.26	1.4	2.2	[illegible]
168½	128½	Virgin Group 10p	161½	−1½	u2.2	2.9	1.9	[illegible]
206	118	WSL 5p	189	+7	d0.71	14.2	0.5	[illegible]

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13

* New time dealings may take place from 9.00 am two business days earlier.

Exporting stocks suffer sharp losses and Gilts fall on " tap " announcement

The financial markets ended with widespread falls in both bond and equity sectors after the monetary authorties had first opened the way for half point cuts in UK bank base rates, and then warned speculators against looking for the other half before Budget Day.

Consumer stocks brightened as NatWest led the other leading UK banks in trimming base rates by half a point. But the equity market had been hoping for cuts of a full point. Bank stocks closed lower.

With sterling still strong throughout the day, despite the banks' rate moves, shares in the major exportng companies were sharply lower. Prices steadied briefly in mid-afternoon, before turning down again as Wall Street opened with a hefty fall.

The FT-SE 100 index fell 34.5 to 1973.7, and the FT ordinary at 1576.3 gave up 25.1 point.

Government bonds tried to move ahead with the pound but were checked by the base rate news which bonds have been anticipating. Until then, trading had been thinnish, with overseas investors still inclined to buy UK gilts.

However, the Treasury's announcement of a new £1bn tap stock, widely interpreted as a new, and stronger signal that further rate falls would be unwelcome until after Budget Day, brought out the local profit-takers, and prices ended with a fall to one point.

Among the equity blue chips, selling was not large, but export concerns brought sharp losses in Imperial Chemical Industries, BAT Industries and Plessey.

Oil stocks lacked supporters and recent gains in pharmaceuticals were cut back again. Adverse press comment on its anti-Aids product depressedWellcome. Glaxo fell back despite favourable comparison by a London broker of its anti-depressant drug with rival product from Beecham— although Beecham also slipped back after Friday's speculative advance.

The Zeebrugge ferry tragedy was reflected in a fall of 32p to 611p in P & O, which, via its subsidiary European Ferries, owns the ill-fated Herald of Free Enterprise. Insurance shares also eased, although there was uncertainty as to the range of underwriting responsibility.

Store shares, brushing aside news of a dp of 2.2 per cent in retail sales in January, respoded favourably to the reductions in base rates. Gussies A shars stood out strongly, with Dixons chalking up a minor gain. But among the breweries, Bass settled down after the recent speculative gain, while Guinness remained easier as further developments were awaited from the Department of Trade inquiry.

Fears of substantial compensation claims arising from Zeebrugge ferry disaster cast a shadow ver the Insurance sector. Prudential, reported to be the lead underwriter in insuring the Herald of Free Enterprise ferry, dropped to 879p before closing 8 lower on balance at 887p. Falls among Composites ranged well into double-figures with General Accident 20 down at 937p and GRE 14 off at 873p. Royals dipped 17 to 967p as did Sun Alliance to 754p; the latter's preliminary results are scheduled for April 1. Elsewhere, Legal andGeneral provided a firm contrast, rising 7 to 305p on news of the restructuring and bonuses. Lloyds broker Dewey Warren, in which Mr Robert Holmes a Court's Bell Group holds a 42 per cent stake, firmed 5 to 228p.

Week-endPress speculation that Larry Adler of FAI Insurances was negotiating with Friends Providen to buy UKPI's 23 per cent stake in Guinness Peat saw the latter improe afresh to 106p, before reacting on profit-taking in the absence of any confirmation of the deal to end the session 4½ cheaper on balance at 101p. Comment on the Mercury Asset Management flotatio further depressed Mercury International which dropped 11 afresh at 352p, while Morgan Grenfell came on offer at 385p, down 6; the annual figures are scheduled for March 18. The base rate reductions helped Discount Houses and Cater Allen, at 378p, and Gerrard and National, at 354p, rose 20 and 17 respectively.

Most leading Breweries suffered losses and Allied-Lyons closed down at 400p, while Bass gave back 5 at 948p. Whitbread "A" were the notable exception, gaining 5 more to 339p in response still to a broker's buy recommendation. Light demand also developed for Greenall Whitley, 5 better at 239p, and for Young & Co's Brewery, which rose 11 to 340p. Morland extended last week's sharp advance by 9 more to a peak 520p, but Guinness slipped 4 to 319p.

Several Buildings shares moved against the trend. Blue Circle put on 11 more to 729p amid continuing speculation that Adelaide Steamship had sold its stake in the company. Heywood Williamadvanced 28 to 301p in response to a newsletter recommendation, while Ward Holdings put on 16 to 554p for a similar reason. Ceader rose 10 to 191p and J. Jarvis 17 to 573p. Persimon, reflecting good preliminary figures, gained 9½ to 455p.

Currency influences left ICI ¼ lower at £13, while Amersham were also noteworthy for a fresh fall of 29 at 604p.

Features were plentiful in a fairly buoyant Stores sector looking forward to a bumper tax-cutting budget next Tuesday. Burton, depressed last Friday by revived DTI investigation worries, rebounded sharply to close 12 up at 312p on confirmation that trading in the shares has begun in America in the form of American Depositary Receipts. Gussies "A" added ¾ at £13¾ and Marks and Spencer rose 4 at 228p. Storehouse closed 5 dearer at 314p following news of its introduction into the long-term international capital market. Elsewhere, Underwoods, the multiple retail chemist, jumped 22 to 261p following a week-end Press suggestion that a bid from Woolworths could soon be on the way; Woolies closed 16 better at 793p. Comment on the group's property potential lifted Moss Bros. 20 to 680p, after 690p, while Wickes rose 10 to 265p ahead of today's annual figures. Pentos, also scheduled to reveal preliminary figures today, gained 9½ at 120½p and improvements of 11 and 13 respectively were seen in Freemans, 467p, and John Kent, 107p. T. and S. Stores responded to the increased annual earnings with a rise of 17½ at 318p and James Beattie "A" found renewed support at 124p, up 16. Miller and Santhouse improved 8 to 290p on buying ahead of Thursday's interim figures.

Stroud and Fisher, 8 down at 318p, reflected disappointment with the half-year results. Among other Shoe concerns, Lambert Howarth jumped 30 to 315p following comment ahead of today's preliminary figures.

Apart from BICC which added 4 to 326p as investors began to show an increased interest ahead of the preliminary results scheduled for March 25, leading Electricals gave a quietly dull performance. Adverse comment ahead of Thursday's third-quarter figures left British Telecom 4 lower at 247p, while STC lost 6 to 251p in the wake of a week-end Press suggestion that ITT of the US may be on the verge of selling its 24 per cent stake in the company. Despite news that Plessey is soon expected to announce the first significant overseas order for System X, the shares retreated 1½ to 237p, while Thorn EMI gave up 4 to 640p with sentiment here not helped by Greenwell Montague downgrading their profits forecast for 1986-87 from £150m to £145m because of bigger second half losses at its Inmos subsidiary. Elsewhere, Tunstall leapt 48 to 385p, after 390p, following reports that the company's Lifeline emergency communication system for the elderly is to be sold nationwide through 1,000 Boots stores. Sunleigh also responded to comment with a gain of 7 at 45p and Radius continued to draw strength from the recent good results with a fresh rise of 11 at 155p. Continental Microwave put on 5 at 180p, after 190p, in response to the better-than-expected results, but Telemetrix dropped 8 to 57p on fading takeover hopes. The Board's statement saying they know of no reason for the sharp rise in the company's share price induced profit-taking and left MicroFocus 18 lower at 140p.

In contrast to the leaders, which recorded falls ranging to 10, secondary Engineers provided several good features. Crown House were prominent at 240p, up 20, on suggestions in the weekend Press that Coloroll may bid for the company. Revived takeover prompted a gain of 17 in Rotork at 184p, while newspaper comment left Weir Group 9 higher at 159p, Senior Engineering 3 better at 70½p and Bipel 7 to the good at 246½p. Babcock, however, failed to benefit from the agreed sale of its 20 per cent holding in Babcock-Hitachi for approximately £35m.

The Food sector showed Tate and Lyle down 19 at 734p and Tesco 8 lower at 470p but there were exceptions to the trend. Bensons Crisps jumped 16 to 80p in front of today's preliminary statement, while Sims Catering rose 17 to 140p and Greggs added 6½ at 308p. Bid speculation coupled with expansion prospects lifted A. Fisher 5 to 255p. Dealings were restored late in Chambers and Fargus following the agreement with A. B. Karlshamns Oljefabriker whereby the latter will subscribe for 1.1m new shares at 95p per share. Chambers and Fargus settled at 115p, compared with the suspension price of 86p.

Grand Metropolitan, which has completed the acquisition of Heublein, became unsettled and closed 14 down at 489p, but Ladbroke resisted well and ended unchanged at 429p. London Park moved up 6 to 767p as bidder Mount Charlotte regained 2½ to 114½p.

International stocks came under selling pressure as sterling continued strongly on foreign exchange markets, while initial weakness on Wall Street also contributed to the reaction. Beecham fell 11 to 551p, while Wellcome dipped 27 to 450p on take profits advice in the week-end Press. BOC closed 14, lower at 437p and Reckitt and Colman dipped 32 to 999p, while Unilever closed 11 down at £25¾. Elsewhere, BTR, preliminary figures expected tomorrow, held up reasonably well at 335p. Among the other noteworthy movements, Norcross featured a rise of 32 at 344p on news that Williams Holdings has acquired a 2.2 per cent stake in the company. Increased interim dividend and profits left Parker Knoll 21 higher at 558p, but Low and Bonar dipped 31 to 276p after the preliminary figures and the proposed French acquisition. Press mention prompted a rise of 33 to 435p in Kelsey Industries, while J. Hewitt responded to newsletter comment with a gain of 42 to 280p, the latter's annual results are due tomorrow. Awaiting today's preliminary figures BBA rose 8 to 178p and Bluebird Toys 14 to 380p. Vinten moved up 18 to 171p awaiting the appointment of a new group managing director following the announcement that Mr Michael James has stepped down from this post and will be acting as technical consultant. Good preliminary results and a proposed one-for-one scrip issue prompted a gain of 18 to 216p in Wills Group.

TV shares featured a number of good gains, with Tyne Tees outstanding at 458p, up 91p, in response to a newsletter recommendation. Anglia rose 7 to 418p and Grampian 5 to 79p, while Press mention stimulated occasional demand for TV South which improved 8 to 373p.

Hopes of increased sales encouraged revived support of car manufacturer Reliant, 8 higher at 41p, but Component issues were generally easier. Lucas Industries fell 12 to 596p and FR Group came back 5 to 359p USM-quoted Spice improved 6 to 177p. Distributors often resisted the weaker tone with Perry rising 4 to 230p, ahead of Thursday's preliminary profits statement. Appleyard gained 5 to 241p and Godfrey Davis 3 to 170p, the latter following news that T. Cowie had acquired a 4.9 per cent stake; Cowie lost 5 to 390p.

Expectations of good annual profits, the group is due to report on Thursday, helped William Collins issues gain gronnd; the Ordinary improved 5 to 510p and the "A" 10 to 425p. Press comment brought several features among Paper/Printing, embracing Conrad, 6 higher at 67p, Blenheim Exhibitions, 6 up at 181p, and Crown TV Products, 5 dearer at 68p. Newspaper mention that the group was on bid alert, drew buyers to DRG, 5 better at 518, but "take profits" advice brought Delyn Packaging down 15 to 350p. Monotype Corporation gave back 8 of Friday's late gain to close at 173p but Wace ralied from 113p to end only marginally easier at 115p after shareholders' approval of the acquisition of Plus Graphics, the group's largest competitor. KLP advanced 7 to 357p and Jefferson Smurfit were 10 up at 455p. Saatchi and Saatchi were quoted ex the scrip issue at 657p.

Centrovincial Estates were outstanding in Properties with a rise of 27 to 280p on news of a bid approach. Stockley gained 6½ to 101½p following buying ahead of Thursday's annual figures and Rivlin reflected Press comment with an improvement of 4 at 165p. Asset injection hopes contiued to attract investors to Property Trust which touched 6p bid at one stage before closing a fraction dearer on balance at 5¾p.

Suggestions that the group was about to purchase the acrylic division of Du Pont put off potential buyers of Courtaulds. Although volume totalled a mere 1.1m, the shared dropped 16 to 387p. John Crowther also turned lower and ended 6 down at 187p, but Gaskell Broadloom gained 8 to 156p. Last week's high-flying duo, Palma Group and Pantherella, continued their movement, the former rising 2 to 67½p and the latter 13 to 171p. Hicking Pentecost came to life at 53p, up 4.

BAT Industries succumbed with other leading industrials and closed 15 down at 508p.

Awaiting the full-year figures, Antofagasta put on 10 to 180p, while demand in a restricted market lifted Authority Investment to 378p before a close of 20 up on balance at 368p. A newspaper article on chief executive John Gunn's revamping of British and Commonwealth left the shares 5 higher at 385p. Elsewhere International City lost 6 to 215p.

Oils escaped with relatively light losses, British Petroleum ended 8 off at 795p and Burmah 12 lower at 470p. The rival partial tender offer of 710p per share from two Belgian groups made little impact on IC Gas, finally 3 better at 721p. Britoil managed a small rise at 193p, while newspaper mention helped Triton Europe gain 8 to 143p. Speculative issues prospered, Great Western rising 17 to 115p, Sceptre Resources advancing 8 to 193p and Lysander improving 4 to 39p.

Overseas Traders were caught up in the surrounding malaise and Inchcape fell 17 to 586p, while Polly Peck drifted back 7 to 216p. Paterson Zochonis, however, retained firmness at 340p.

With lower interest rates in the UK helping depress London bullion prices by $2½ to $404½, gold shares were out of fashion.

Traded Options

The week's proceedings in the Traded Options market got off to a slow start. Only 36,061 contracts were done, comprising 26,978 calls and 9,083 puts.

Traditional Options

- First dealings March 2
- Last dealings March 13
- Last declaration June 11
- For Settlement June 22

For rate indications see end of Unit Trust Service

Calls were taken out in LASMO, Comtech, Property Trust, Commercial Union, Scottish and Newcastle, Amstrad, Rock, Riley Leisure, Heywood Williams, Hyman, Senior Engineering, Abaco, Benjamin Priest, Talbex, Television Services, Eagle Trust, Greenwich Resources, Dares Estates, London Securities, J. Williams, C. Baynes, Rotork, Times Veneer, Polly Peck, Rotaprint, Pavion, St. Modwen, Brent Walker, Godfrey Davis, Hestair, Blacks Leisure, BSG International, Central and Sheerwood, Woodhouse and Rixson, Feedex, Hansen Trust, Centreway Industries, Wellcome and Silentnight. Puts were arranged in Greenwich Resources, Rotaprint and Wellcome, while Commercial Union were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	Mar. 9	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	89.25	89.52	89.29	88.72	88.21	87.72	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.13	94.69	94.60	93.83	93.74	91.49	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,576.3	1,601.4	1,602.0	1,612.4	1,613.5	1,305.6	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	329.6	338.2	346.7	339.5	325.2	330.4	346.7 (5/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.71	3.64	3.63	3.61	3.60	4.10				
Earnings Yld.%(full)	8.64	8.48	8.46	8.42	8.42	9.88				
P/E Ratio (net) (*)	14.19	14.46	14.49	14.56	14.55	12.54				
SEAQ Bargains (5 pm)	53,342	52,723	52,949	52,461	46,347	—				
Equity Turnover (£m)	—	1,837.58	1,938.98	1,471.30	1,383.86	655.05				
Equity Bargains	—	66,542	68,225	49,090	61,102	38,275				
Shares Traded (ml)	—	691.5	—	548.5	612.4	315.3				

S.E. ACTIVITY

Indices	Mar. 6	Mar. 5
Gilt Edged Bargains	178.8	225.4
Equity Bargains	431.2	442.1
Equity Value	3714.2	3919.2
5-Day Average		
Gilt Edged Bargains	181.1	180.4
Equity Bargains	401.5	390.7
Equity Value	3242.8	3105.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1598.0	1591.1	1586.3	1583.4	1588.9	1588.2	1572.6	1574.3

Day's High 1598.0. Day's Low 1569.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.66.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (149)

LOANS (1), AMERICANS (3), BREWERS (7), BUILDINGS (14), CHEMICALS (5), STORES (8), ELECTRICALS (12), ENGINEERING (6), FOODS (1), HOTELS (1), INDUSTRIALS (34), INSURANCE (1), LEISURE (4), MOTORS (5), NEWSPAPERS (2), PAPER (4), PROPERTY (9), SHOES (1), TEXTILES (4), TRUSTS (10), OILS (4), OVERSEAS TRADERS (2), MINES (4).

NEW LOWS (2)

AMERICANS (1) Cont. Illinois Corp., INDUSTRIALS (1) Euro. Ferries 5 per cent Pref.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Monday March 9 1987

FIXED INTEREST

LONDON TRADED OPTIONS

RISES AND FALLS YESTERDAY

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

Mar. 9	Price Sch.	+ or −
Credi'nst'lt pp	1,990	−10
Goesser	3,040	......
Interunfall	13,000	......
Jungbunzlauer	9,045	−35
Laenderbank	1,965	+5
Perlmooser	657	+6
Steyr Daimler	147	−1
Veitscher Mag	945	+5

BELGIUM/LUXEMBOURG

Mar. 9	Price Frs.	+ or −
B.B.L.	2,960	......
Banq.Gen. Lux	15,550	......
Banq.Int.A.Lux	15,200	......
Bekaert	11,100	+400
Ciment CBR	5,350	+550
Cockerill	135	−1
Delhaize	3,100	+80
EBES	5,580	−70
Fabrique Nat	1,950	+50
GB Inno BM	1,160	+40
GBL (Brux)	3,640	+90
Generale Bank	6,490	+10
Gevaert	6,650	+50
Hoboken	6,760	+40
Intercom	4,300	+5
Kredietbank	4,595	+95
Pan Holding	11,000	......
Petrofina	10,300	+750
Royale Belge	24,525	+25
Soc.Gen. Belge	3,450	−5
Sofina	15,900	......
Solvay	10,350	+60
Stanwick Int	330	+10
Tractebel	6,770	+20
UCB	10,150	−50
Wagons Lits	5,840	+40

GERMANY

Mar. 9	Price Dm.	+ or −
AEG	315.5	+9.5
Allianz Vers	1751	−9
BASF	257	+4
Bayer	301.9	+5.2
Bayer-Hypo	446.5	+1.5
Bayer-Verein	435	+7
BHF Bank	442	+5
BMW	490	+11
Brown Boveri	292	+2
Commerzbank	275	+7
Cont'l Gummi	320.7	+3.7
Daimler-Benz	971	−4
Degussa	470.2	−1.8
D'sche Babcock	228.3	+0.3
Deutsche Bank	670.5	+4
Dresdner Bank	341.5	+3.5
Feld-Muehle Nbl	284	......
Henkel	472.5	+4.5
Hochtief	675	−26
Hoechst	259	+5.5
Hoesch Werke	108	+0.5
Holzmann (P)	455	......
Horten	225.5	+0.5
Hussel	589	−0.5
Karstadt	418	−7
Kaufhof	446.5	−0.5
KHD	158.5	−1.5
Kloeckner	62.5	+1.3
Linde	611	......
Lufthansa	179	+6
MAN	163.5	−1
Mannesmann	158.5	+3.4
Mercedes Hld	815	−5.5
Metallgesell	260	−5
Muench Rueck	1,798	−22
Nixdorf	712	−1.8
Porsche	869.5	+15.5
Preussag	151.8	−1.2
Rhein West Elect	214	−1
Rosenthal	260	−4
Schering	595	−5
Siemens	657.2	+3.7
Thyssen	124.2	+1
Varta	341	−9
Veba	275.5	+1.5
V.E.W.	159	−1.5
Verein-West	417.5	+12.5
Volkswagen	355	+3.5

DENMARK

NORWAY

SPAIN

SWEDEN

ITALY

FRANCE

FINLAND

NETHERLANDS

AUSTRALIA (continued)

HONG KONG

SWITZERLAND

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices March 9

MONTREAL

Closing prices March 9

Total Sales 7,021,727 shares

Indices

NEW YORK-DOW JONES

STANDARD AND POORS

OVER-THE-COUNTER *Nasdaq national market, closing prices*

NYSE COMPOSITE CLOSING PRICES

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Burton	312	+12
Centrov Ests	260	+27
Conrad	67	+6
Crown Hse	243	+23
Heyw Wills	302	+24
Lamb Howarth	315	+30
Norcros	344	+32
Parker Knoll A	558	+21
Pentos	120½	+9½
Reliant Mtr	41	+8
Rotork	185	+18
Sims Cig	140	+17
T Tees TV A	458	+91
Underwoods	261	+22
Union Disc	808	+28
Wills Group	216	+18

FALLS:

Treas 8½% 2007	£93⁵⁄₁₆	−1⁵⁄₁₆
Amersham Intl	603	−30
BAT Inds.	508	−15
Beecham	551	−11
Burmah Oil	470	−12
Courtaulds	387	−16
Delyn Packag	350	−15
General Acc	937	−20
Glaxo	£15	−⅜
Grand Met.	489	−14
Low & Bonar	278	−31
P. & O Defd.	616	−27
Telemetrix	57	−8

Southern faces charge

SOUTHERN CO, the US electricity utility holding company, will take an after-tax charge of $228m against earnings no later than January 1988 because the projected cost of the Vogtle nuclear power plant has risen above the amount which retail customers in Georgia will be asked to pay, *AP-DJ reports from Atlanta.*

Georgia Power, the company's largest subsidiary, said the budget for the plant had increased 6.3 per cent, or $522m, to $8.87bn. However, because of a pledge made last year to Georgia's Public Service Commission, the increased cost will not be included in the utility's retail electric rates.

The board of Georgia Power has delayed completion of Vogtle's unit two to June 1989, from September 1988. It is about 60 per cent complete.

The utility said fuel loading was complete at unit one and this plant was being put through a series of low-power tests before the Nuclear Regulatory Commission was asked for a full-power licence.

The nuclear power plant, near Waynesboro, Georgia, is jointly owned by Oglethorpe Power, the Municipal Electric Authority of Georgia and the city of Dalton.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20	AAR s	.50	1.6	22	126	31¾	31⅛	31⅛	−⅝
34¼	21⅞	ADT	.92	2.7	19	562	u34⅝	33⅝	34	−¼
38¾	21	AFG s	12e	.3	11	118	38½	38	38¼	−⅛
40⅞	16¾	AGS			23	343	39⅞	39⅛	39⅛	−½
15	6⅝	AMCA				35	8¾	8½	8½	−⅜
9⅝	4⅞	AM Intl				1956	8⅞	8⅝	8⅝	−⅜
62⅛	47¼	AMR			12	2161	58¼	57¼	57½	−1
27½	24½	ANR pf	2.67	10.		2	26	26	26	
13⅛	6	ARX s			13	93	11⅛	10⅞	11	−⅛
49	28¾	ASA	2a	4.3		573	46¾	46⅛	46⅝	−⅜
17⅜	9¾	AVX		2.0		208	16½	16¼	16¼	−½
32¾	26½	AZP	2.72	8.5	10	984	32	31¾	31⅞	
69⅝	36¾	AbtLb s	.84	1.4	26	2958	62⅛	60¾	61⅛	−1¼
34	25	AccoWd	.62	1.9	21	69	32¾	32½	32⅝	−⅛
14⅛	9	AcmeC	.40	3.1	24	49	13¼	12⅞	13	−¼
9	6⅛	AcmeE	.32b	4.2	29	25	7¾	7¼	7⅝	+⅜
23⅞	18½	AdaEx	3.42e	15.		170	22½	22⅛	22½	+¼
19⅝	11⅝	AdmM s	.24	1.3	15	27	u19½	19⅛	19⅛	−¼
20⅞	12⅛	AdvSys	.62t	3.2	16	68	19⅞	19½	19⅝	
32¾	12⅞	AMD				2828	21¼	20¾	21¼	+¼
10⅝	5¼	Adobe				68	8⅞	8⅝	8⅝	−¼
20	13¾	Adob pf	1.84	9.4		35	20	19½	19½	−½
21⅞	16⅜	Adob pf	2.40	11.		57	21½	21⅛	21⅛	−⅝
18⅝	11½	Advest	.12a	1.0	10	371	12⅜	11⅞	12	−¼
68¼	53	AetnLf	2.76	4.2	11	5574	67	66⅛	66⅛	−1⅛
54	51⅛	AetL pf	2.81e	5.4		81	52	51¾	52	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

كنزامن الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50⅛	37	WalCSv .80	1.3	19	205	47¼	46½	46½	−1
57	39½	WalJm1.40	2.5	11	x303	56⅜	55¾	55¾	−¼
13	10	WalJ pf 1	8.2		z100	12¼	12¼	12¼	
32¼	18¾	WmC s .40	1.3	25	5367	32⅛	31¼	31¼	−1
62⅞	45¼	WmC pf3.63	5.8		1243	62⅝	62	62	−¾
76¼	50¾	WarnrL1.68	2.3	18	2275	74¼	72¾	74	−½
30⅜	23⅛	WashGs1.78	6.4	12	101	27¾	27¼	27⅜	−⅛
35⅜	29¼	WshNat .08	3.5	9	15	31	30⅞	31	−⅛
31⅝	24⅞	WshWt 2.48	8.4	52	279	29½	29⅛	29⅜	−⅛
76¾	41	Waste .72	1.0	21	2985	75⅝	74⅜	75	−1¼
42½	29⅝	WatkJn .40	1.2	17	350	33⅝	33⅛	33¼	−¼
4¾	1⅞	WeanU			11	2⅛	2	2	
10	6½	Wean pf1.31k			2	8¾	8¾	8¾	+¼
28¼	15	WebbD .20	1.0	9	208	21	20	21	+¾
11¾	¼	vjWedtc			547	1¼	1	1⅛	
25⅝	19½	WeingRl.60	6.4	20	68	25⅛	24¾	24⅞	−½
41¾	33⅛	WeisMk.64	1.6	18	388	39¾	39⅛	39⅜	−⅛
58¼	39⅞	WellsF s1.56	2.9	11	830	54	52⅞	53¼	−⅞
52⅛	48	WelF pf 3e	6.0		x68	49¾	49¾	49¾	+¼
51¾	44	WelF pf2.45e	4.9		370	50⅞	50½	50½	
30	21⅛	WelFM 2	9.1	11	94	22⅜	22	22	−⅜

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Takeover issues resist wave of pessimism

WALL STREET

A WAVE of pessimism and futures related selling swept through Wall Street at the opening of yesterday's session to give prices their sharpest setback in six weeks, *writes Roderick Oram in New York.*

Credit markets remained in a highly cautious mood as bond prices edged a little higher after their sharp falls on unfavourable economic news on Friday.

The Dow Jones industrial average closed down 20.11 points at 2,260.12, *after being down 30 points* in mid-morning. Broader market indices showed similar losses with the Standard & Poor's 500 dropping 2.36 to 288.30 and the New York and American stock exchange composite indices falling 1.20 to 164.25 and 1.66 to 327.91 respectively.

NYSE volume was relatively *brisk at 166.1m shares but some 20 per cent lighter than busy days earlier this year.* Declining issues outpaced those rising by a margin of two-to-one.

Some market analysts said there was more talk among investors of a correction to prices after the robust rally stocks have enjoyed so far this year. *Selling by institutional investors* appeared to be limited, although technology, drug and forest product stocks were among those hit by profit taking.

Futures related selling contributed to the downturn. This arbitraging between stock index futures and their underlying shares is expected to increase over the next 10 days as arbitrageurs square their positions *ahead of this quarter's* "Triple Withing Hour" a week on Friday when stock index futures, index options and options on individual shares expire simultaneously.

Against the general background of falling prices, a number of stocks rose dramatically as a flurry of takeover offers hit the markets ending a relatively quiet period for mergers and acquisitions.

American Motors rose $⅝ to $4¼ after Chrysler, up $1⅛ to $53⅞, offered to acquire it through a stock swap. Renault, the French vehicle maker, said it would exchange its 46 per cent stake in American Motors for $200m of Chrysler notes.

Supermarkets General jumped $6⅞ to $41¾. *It said it had received* a $41.75 a share takeover offer worth about $1.6bn from Dart Group, up $7½ to $167½ in the over-the-counter market. Dart failed in an earlier attempt to take over the Safeway supermarket chain.

Resorts International B shares rose $7 to $130 after it announced that holders of the shares representing 73 per cent of the voting power *had agreed to sell them to* Mr Donald Trump, the New York *real estate developer and casino operator* for $135 a share, ending a long drawn out battle for control.

Caesar's World, another leading casino group, *gained $3¼ to $27¾* on trading of 3.3m shares following receipt of a $28 a share takeover offer from Mr Martin Sosnoff who is already its largest shareholder.

Allegheny International leapt $8⅝ to $24. The industrial and consumer products group agreed to be acquired by First Boston at $24.60 a share in what appeared to be the first stage of a management buyout. First Boston, a leading investment bank, fell $1½ to $49½.

Piedmont Aviation fell $⅝ to $67⅞. *It agreed to a $69 a share* takeover offer from USAir which *fell $3⅝ to $47⅞. Meanwhile, a* judge blocked TWA, which dropped $2½ to $28, from buying any more shares in USAir for which it launched a takeover bid last week.

Taft Broadcasting gained a further $2½ to $154. It received a $145 a share takeover offer last Friday but the markets are expecting a bidding war.

Walt Disney gained $1⅛ to $61½. It is buying the Los Angeles television station of GenCorp for $217m. GenCorp, which has been trying to sell the station for some time to settle a regulatory complaint, rose $4⅛ to $82⅜.

The credit markets were very *quiet as dealers and investors tried* to weigh up the implications of the far larger increase in employment in February than had been expected which indicated a strong rate of economic growth and the chances of higher inflation. Bond prices tumbled about ⅞ of a point following release of the news on Friday.

With the help of a firmer dollar yesterday, the price of the benchmark 7.50 per cent Treasury long bond edged up ¹⁄₃₂ of a point to 99¹³⁄₃₂ at which it yielded 7.51 per cent. Other maturities were essentially little changed.

The bond markets are likely to remain quiet until Thursday when the release of February's retail sales figures will give investors further clues to the direction of the economy. A rise of about 1 per cent from February's depressed levels is expected.

CANADA

BANK and resource issues staged a retreat in Toronto after last week's gains.

Canadian Imperial Bank of Commerce, reported to be pressing Dome Petroleum to sell its 42 per cent stake in Encor, lost C$¼ to C$21⅜. Dome dipped 2 cents to C$1.18 and Encor Energy was traded unchanged at C$7 ⅛.

Continental Bank firmed C$⅛ to C$17 in light trading.

Also active were Nova Alberta *down C$⅛ to C$8⅜ while Falcon*bridge eased C$⅝ to C$20⅛.

In Montreal banks posted the sharpest falls followed by utilities and industrials.

Roderick Oram in New York looks at the background to the frenzy of North American gold buying

Path to peaks is paved with stocks of gold

WITH GOLD shares soaring spectacularly on North American stock exchanges, there are few contrary voices among the bulls even though questions over some of the fundamentals make it harder to justify prices running as high as 60 times earnings.

In some cases such as Newmont Gold and Echo Bay Mines, prices have almost tripled since their lows of last year. The Toronto Stock Exchange gold stocks index has doubled since it bottomed out at 3,785.81 on May 21 last year.

From the *beginning of this year it* rose 38 per cent to 7,368 last Friday. Buying has been equally frenzied on US exchanges.

Even *though few* people believe the price of gold bullion will rocket in the next few years, a host of other economic and political factors ranging from signs of a small upturn in inflation to the ostracism of South Africa lie behind the performance *of gold shares*, particularly those of North American companies.

Australian companies have *lagged a little, while South African* issues are trading at deeply depressed levels.

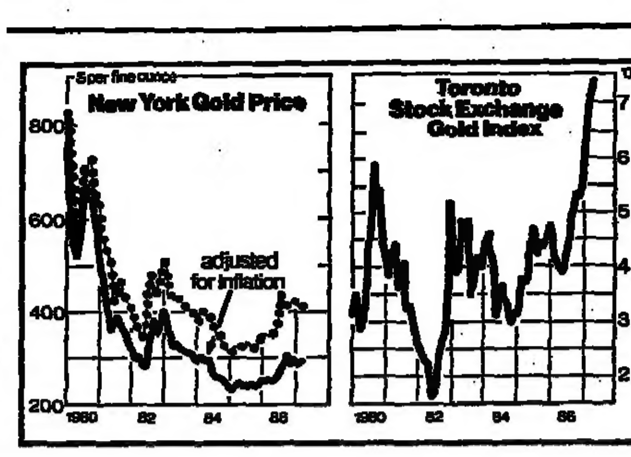
One of the few questioning voices raised at a gold stocks conference last week in New York was that of Mr Julian Baring, the gold specialist at James Capel, the London stockbroker.

"The multiples you pay for North American gold shares makes me wonder sometimes whether you have heard something about the gold price which has not yet *reached us in London," he told the* conference.

With the rally heavily favouring North American companies the augerage capitalisation per ounce of annual gold production is $2,700 compared with $2,200 for Australian mines and a mere $650 for South African.

The prices of many North American stocks have risen so high that *they will not be covered by the com*panies' net cash flow over the lives of their mines, he pointed out.

North American investor concentration on locally based companies stems from the usual fears of currency losses on foreign stocks compounded by an aversion to buying South African shares. Some of *these are traded on the US over*-the-counter market and at current prices are showing dividend yields



approaching 20 per cent.

North American gold mining has expanded dramatically in recent years thanks to a relatively firm gold price, the swing away from South Africa, *a depressed base me*tals sector and technological advances.

About one-third of US production *now comes from "heap leaching,"* a technique of extracting gold economically from low grade ores. Further extensive capacity is due to *come on stream in* the US and Canada over the next couple of years. Forecasting supply and demand is notoriously difficult with China and the Soviet Union unpredictable suppliers to the world market and investors appetites highly variable.

Some sceptics suggest, *though,* that the tight relationship between supply and demand which has traditionally underpinned gold prices could ease.

Moreover, despite the rumblings of a Third World debt crisis and a few predictions that the world stock markets' heady performance will end in a spectacular reversal, the global economic outlook is more stable and less inflationary than when the price of gold peaked at over $800 an ounce in early 1980.

Bonds were easier on expectations that the dollar will rise further. The Bundesbank bought DM 95.5m worth of paper in its daily market-balancing operation after buying DM 3.3m on Friday.

Paris picked up *slightly after* the profit-taking on Friday, which followed the market's record run last week.

It is currently just over $400 an ounce, up some 10 per cent from its average price in 1986, with the most bullish forecasts calling for $500 this year.

The North American industry's boom has sharpened investment bankers' interest in the industry, said Mr Jeffrey Nichols, president *of American Precious Metals Advi*sors, and formerly director of research *at Goldman, Sachs' J. Aron* precious metals division. "There's been a considerable change in Wall Street's attitudes and now everyone wants to do corporate finance deals." In addition, a number of firms have been hiring their first gold stock analysts.

A rapid restructuring of the industry, which has become notably more self-promotional even by its old aggressive standards, has also increased the number of gold mining companies which are large enough for institutions to invest in. US pension funds are prohibited from holding bullion so they buy gold mine shares instead.

Gold shares are still a relatively exotic investment for big institutions such as pension funds, although Mr Nichols sees a growing acceptance. He argues that portfolios should have a gold component for its contracyclical qualities. The view was echoed by Mr Jean-*Charles Potvin, the gold analyst for* Burns, Fry, a Toronto investment dealer.

"The traditional pattern of seeking security in gold in inflationary periods seems to have given away *now to a perception that investment* in gold should be constant in a well-diversified portfolio."

EUROPE

Brussels soars to high amid firmer dollar

THE FIRMER Dollar spurred fresh buying on many European bourses yesterday, underpinned by *encouraging* economic and corporate *news.*

Brussels soared to a new high as the market's record run moved into a third week. The Brussels Stock Exchange index climbed 61.37 to 4,357.78 on strong buying by domestic institutions and overseas investors.

The market continued to take strength from good results, corporate developments and recent pow*erful performances* by the world's leading stock exchanges.

Bellwether Petrofina jumped BFr 730 to BFr 10,300, or 7.6 per cent, in a session turnover worth about BFr 2bn, twice the average. The oil company is caught up in the rivalry for IC Gas of the UK, whose Contibel Holdings unit has a large stake in Petrofina.

GBL and Tractebel, which made *a partial tender offer for IC Gas on* Friday, gained BFr 90 and BFr 20 to *BFr 3,640 and BFr 8,770 respective*ly.

Frankfurt edged higher in fairly active trading boosted by the dollar, which was fixed 1.6 pfg higher at DM 1.8515. Strong early gains ran into a fresh bout of caution later in the session and most leading stocks ended off their highs.

The Commerzbank index was 1.1 higher at 1,755.7.

Banks were a good example of the trend, with Deutsche Bank fin*ishing DM 4 ahead at DM 670.50 af*ter rising nearly DM 10 at one stage. Commerzbank was DM 7 higher at DM 273 and Dresdner put on DM 3.50 to DM 341.50.

Some bullish details began to filter from the closed investment symposium which Deutsche Bank held last week, including news of buy recommendations for chemical group Bayer, up DM 5.20 at DM 301.90, *engineer MAN*, which eased DM 1 to DM 163.50, and steelmaker Thyssen, up DM 1 at DM 124.20.

It was also reported that Mr Karl Otto Pöhl, Bundesbank president, told the symposium a further interest rate cut was possible if the US acted likewise.

Cars were mixed, with BMW strongly higher at DM 490, a rise of DM 11, and VW finishing DM 3.50 up at *DM 358. Daimler Benz, how*ever, ended DM 4 down at DM 971 after early gains.

Bonds were easier on expectations that the dollar will rise further. The Bundesbank bought DM 95.5m worth of paper in its daily market-balancing operation after buying DM 3.3m on Friday.

Paris picked up slightly after the profit-taking on Friday, which followed the market's record run last week.

Shares took strength from the firmer dollar and optimism over in*terest rates, borne out* after the bourse closed by the cut in the Bank of France *money market in*tervention rate.

Among strong construction issues, GTM-Entrepose *rose FFr 17* to FFr 680, and Spie Batignolles put on FFr 16 to FFr 615.

Amsterdam was mixed as inter*nationals gained* from the dollar's firmness but financial stocks weakened. The market found few surprises in the economic forecasts by the Central Planning Bureau.

Zurich finished mixed in cautious trading as investors failed to take courage from the dollar. Financials followed the trend.

Selective buying saw Sandoz bearer up SFr 400 to SFr 11,000 and its participation certificate up SFr 70 at SFr 1,740, and Jacobs Suchard SFr 75 higher at SFr 1,875.

Milan also had a cautious session *amid continuing political uncertain*ties and prices finished lower. Pirelli was L9 down at L5,256 in advance of news of sharply higher 1986 profits. Retailer Rinascente put on L10.50 to L1,180.50 after an increase in earnings.

Stockholm was marginally higher in quiet trading. Stora, close to completing its takeover of rival paper maker Papyrus, was steady at SKr 318. *Oslo was led higher by* gains in industrial shares, while Madrid was quietly easier.

German bourse turnover tax to stay, Page 23

Debut for Stanley Gibbons

STANLEY GIBBONS, the internationally known UK stamp-dealer forced to abandon its Unlisted Securities Market flotation three years ago, started trading yesterday on the London over-the-counter market, ***writes Lisa Wood.***

Unlisted Securities, a subsidiary of Fredericks Place Group which is handling the issue, reported significant demand *for* the shares which opened at 12p *(19 cents)* each and went up to 16p each during the day.

Stanley Gibbons' first flotation foundered in 1984 when the London stock exchange called a halt to dealings in its shares after just *16 minutes following allegations* about the former business activi*ties of its chairman at the time,* Mr Clive Feigenbaum.

Mr Ronnie Aitken, current chairman, said in a letter to shareholders that the London OTC market was intended pri*marily to provide opportunities* for companies before they had a *suitable trading record for entry* to either the Third Market or the USM.

"It is emphasised," he said, "that no application *is being* made for the ordinary shares in the *company to be admitted to* the Official List or to be dealt in on either the USM or the Third Market."

London finds little comfort in rate fall

UK EQUITIES and bonds fell back after the monetary authorities had first opened the way for a half point cut in UK bank base rates and then warned speculators against looking for further cuts before budget day *next Tuesday.*

Consumer stocks brightened as NatWest *led* the leading UK banks in trimming base rates by half a point. But the equity market had been hoping for cuts of a full point and bank stocks closed lower.

Major exporting companies were sharply down as sterling remained strong throughout the day despite the bank's rate cuts.

The FT-SE 100 index fell 24.5 to 1,973.7 and the FT Ordinary index *gave up 25.1 to 1,576.3.*

Government bonds tried to move up with the pound but were checked by the base rate news, which the sector had been anticipating. The Treasury's announcement of a new £1bn tap stock, widely seen as another signal that further rate falls would be unwelcome until after budget day, brought out local profit-takers and prices ended with falls of up to one point.

Selling was not heavy among blue chip equities but export wor*ries brought losses for Hanson* Trust, down 1p to 172p, and BAT Industries, off 15p to 508p.

The Zeebrugge ferry disaster was *reflected in a fall of 27p to 616p in* P&O which, via its subsidiary European Ferries, owns the ill-fated Herald of Free Enterprise.

Insurers also eased, although there was uncertainty about the range of underwriting responsibility.

Oils lacked support and recent gains in pharmaceuticals were pared.

Details, Page 40

SOUTH AFRICA

A *WEAKER* bullion price depressed Johannesburg gold shares yester*day amid the growing prospect of a* reduction in key local interest rates.

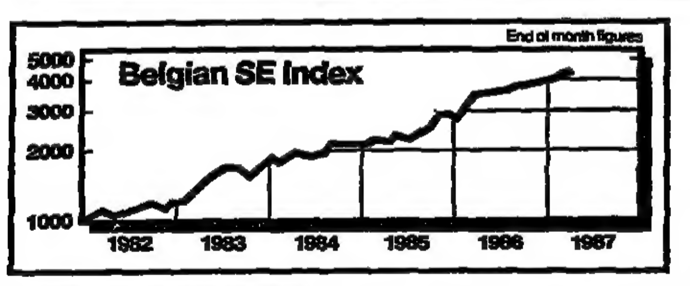
Southvaal retreated R5 to R190, while Driefontein shed 75 cents to R68.75. Free State Consolidated resisted the downward pressure and held steady at R52.50.

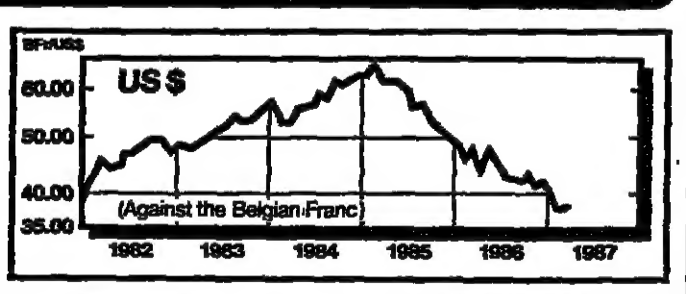
Platinums mirrored the performance of the gold sector with Impala trading ex-dividend, closing at R44.50. Rustenburg finished unchanged at R50.

De Beers moved against the *trend with its R1.25 advance to R42* while Barlow Rand, reflecting the interest rate hopes, firmed 25 cents *to R20.50. South African Breweries* firmed 10 cents to R16.85.

Domestic short-term interest rates softened marginally last week following the influx of funds into the banking system by increased government spending. The key three-month bankers acceptance rate edged down to 8.95 per cent yesterday from last week's 9 per cent level, while the average three month Treasury Bill rate moved down to 8.72 per cent from 8.79 per *cent last Monday.*

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 9	Previous	Year ago
NEW YORK			
DJ Industrials	2,260.12	2,280.23	1,699.83
DJ Transport	944.77	958.21	791.34
DJ Utilities	217.76	219.08	181.83
S&P Comp.	288.30	290.66	225.57
LONDON FT			
Ord	1,576.3	1,601.4	1,305.6
SE 100	1,973.7	1,998.2	1,573.8
A All-share	983.81	993.38	765.12
A 500	1,099.32	1,109.27	843.62
Gold mines	329.6	338.2	330.4
A Long gilt	9.39	9.29	9.61
TOKYO			
Nikkei	21,166.4	21,105.8	13,994.6
Tokyo SE	1,821.45	1,816.69	1,127.78
AUSTRALIA			
All Ord.	1,640.9	1,646.6	1,055.0
Metals & Mins.	800.9	796.5	510.5
AUSTRIA			
Credit Aktien	204.28	204.36	227.15
BELGIAN SE	4,357.78	4,296.41	3,295.64
CANADA			
Toronto			
Met.& Mins.	2,533.8	–	2,323.0
Composite	3,611.4	3,637.1	2,927.0
Montreal			
Portfolio	1,803.07	1,817.57	1,434.48
DENMARK SE	199.01	–	237.76
FRANCE			
CAC Gen	443.00	444.20	316.5
Ind. Tendance	112.80	112.5	75.9
WEST GERMANY			
FAZ-Aktien	582.75	581.67	658.73
Commerzbank	1,755.70	1,754.6	1,991.2
HONG KONG Hang Seng	2,820.38	2,798.24	1,682.65
ITALY Banca Comm.	678.75	682.72	590.25
NETHERLANDS ANP CBS			
Gen	289.70	287.4	250.7
Ind	250.80	250.2	244.7
NORWAY Oslo SE	397.91	392.26	353.23
SINGAPORE Straits Times	1,077.20	1,072.78	612.20
SOUTH AFRICA JSE			
Golds	—	1,895.00	1,216.8
Industrials	—	1,614.00	1,152.1
SPAIN Madrid SE	240.79	241.37	132.32
SWEDEN J & P	—	2,445.46	1,889.65
SWITZERLAND Swiss Bank Ind	—	583.2	577.8
WORLD MS Cap. Int'l March 6	419.2	419.6	285.7

COMMODITIES (London)

	March 9	Prev
Silver (spot)	254.39p	348.95p
Copper (cash)	£892.50	£899.50
Coffee (May)	£1,310.00	£1,292.00
Oil (Brent)	$17.65	$17.45

GOLD ($/oz)

	March 9	Prev
London	$404.50	$407.00
Zürich	$404.75	$408.15
Paris (fixing)	$407.21	$408.53
Luxembourg	$405.50	$408.00
New York (April)	$406.50	$407.80

CURRENCIES (London)

	US DOLLAR Mar 9	US DOLLAR Previous	STERLING Mar 9	STERLING Previous
$	–	–	1.5880	1.5900
DM	1.8550	1.8395	2.945	2.925
Yen	153.80	153.40	244.25	2.44
FFr	6.1725	6.12	9.8025	9.73
SFr	1.5650	1.5500	2.485	2.465
Fl	2.0960	2.0750	3.3275	3.30
Lira	1.318	1,307.0	2.093	2.078
BFr	38.45	38.05	61.05	60.50
C$	1.3345	1.3325	2.1185	2.1145

INTEREST RATES

	Mar 9	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅝
SFr	4⅛	4⅛
DM	4¹⁄₁₆	4¹⁄₁₆
FFr	8⁵⁄₁₆	8⁵⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅝
6-month US$	6⅝	6⅝
US Fed Funds	6⁵⁄₁₆*	6
US 3-month CDs	6.05*	6.275
US 3-month T-bills	5.625*	5.80

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	101-08	101-10	100-30	101-12
US Treasury Bills (IMM) $1m points of 100%				
March	94.36	94.38	94.34	94.37
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.54	93.55	93.53	93.39
20-year National Gilt £50,000 32nds of 100%				
March	120-24	122-03	121-02	122-05

US BONDS

Treasury

	March 9 Price	March 9 Yield	Prev Price	Prev Yield
6¼ 1989	99²⁹⁄₃₂	6.419	99²⁷⁄₃₂	6.317
7⅛ 1993	99²⁹⁄₃₂	7.012	100⁹⁄₃₂	6.885
7⅜ 1996	100⁵⁄₃₂	7.22	101¹⁷⁄₃₂	7.027
7¼ 2016	99²⁹⁄₃₂	7.524	101¹⁵⁄₃₂	7.367

Source: Harris Trust Savings Bank

Treasury Index

March 9

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	March 9* Price	March 9* Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.59	6.05	92.217	6.45
SCBT South Central 10⅞ Jan 1993	105.25	9.70	106.0	9.558
Phibro Sal 8 April 1996	99.75	8.04	100.0	8.0
TRW 8⅞ March 1996	103.97	8.11	104.5	8.04
Arco 9⅞ March 2016	112.75	8.66	112.25	8.709
General Motors 8⅝ April 2016	94.75	8.62	94.375	8.65
Citicorp 9⅜ March 2016	100.825	9.27	103.5	9.031

Source: Salomon Brothers

* *Latest available figures*

ASIA

Caution holds back Nikkei record

TOKYO

A NEW PEAK was touched briefly in Tokyo yesterday but share prices later fell back as investors adopted a wait-and-see attitude, and the Nikkei average closed only moder*ately higher, writes Shigeo Nishiwaki of Jiji Press.*

Large-capital stocks and issues related to acquired immune deficiency syndrome (Aids) lost popularity, but blue chips, particularly electricals, firmed on a broad front.

The market barometer of 225 select issues jumped 188.71 at one *stage, but closed 43.30 higher from* Saturday at 21,166.40. Turnover dropped from Friday's 1.02bn shares to 756m. Advances outpaced declines 484 to 349, with 150 issues unchanged.

Price fluctuations were seen in a *wider range of sectors. Buying de*creased for steels and other large-capital stocks, budget-affected issues, railroads, and stocks related to Nippon Telegraph & Telephone (NTT) and Aids, all of which had been supporting the bull market since the beginning of the year.

Instead, investors sought blue chips, *which had been largely neg*lected while massive funds were being poured into big-capital and other popular issues. Blue chip buying was apparently encouraged by the yen's relatively stable exchange rate. But market observers said that as investors had bought a wide variety of stocks in the bull market, blue chips were their only option.

Mitsubishi Electric was particularly popular among blue chips, gaining Y22 to Y532 on heavy trad*ing of 43.52m shares.* The stock has been showing firm moves since January and major securities houses apparently hope to make it the leading issue of a blue chip-led market.

Buying also revived for stocks which registered sharp increases in January on projects to utilise idle property. Meidensha Electric went up Y47 to Y897 and Mitsubishi Metal Y10 to Y603. Dainippon Ink & Chemicals, which alsogaine din *January on its purchase of a jamor* US ink maker, added Y10 to Y730.

Aids-related issues came under profit-taking pressure. Ajinomoto the leader among them, shot up Y130 at one stage, but finished Y10 lower at Y3,730, while Sumitomo Chemical ended Y8 up at Y857 after temporarily scoring a Y31 jump, on trade of *42.84m shares. Takeda* Chemical and Morinaga Milk In*dustry shed Y30 to Y3,140* and Y17 to Y758, respectively, but Nissin Food Products shot up Y350 to Y3,980.

Among large-capital issues, Nippon Steel edged up Y2 to Y291, but transactions decreased steeply to *27.80m shares. Mitsubishi Heavy* Industries and Sumitomo Metal remained unchanged at Y55 and Y200 respectively.

Six-month *government* bond futures contracts advanced Y0.25 to match the all-time high of Y106.63, which spurred investors to buy on the cash market. The yield on the 5.1 per cent government bond due in June 1995 plunged from Saturday's 4.760 per cent to 4.690 per cent. But selling surged when the yield dipped below 4.7 per cent. Institutional investors were inactive with the approach of the end of the business year this month, and trad*ing was mostly the preserve of deal*ers.

HONG KONG

A SWIFT REBOUND was staged in *Hong Kong as buying resumed af*ter the sudden wave of profit-taking last week. The Hang Seng index recovered 21.74 to 2,820.38 on turnover valued at HK$1.11bn, down from Friday's HK$1.71bn.

The consolidation initiated last week, which amounted to a fall of almost 3 per cent over two sessions, *is not yet complete according to some* analysts and although some foreign demand was reappearing.

Banks led yesterday's rally: Hang Seng reacted to *Friday's* higher profit announcement with a HK$1.25 advance to HK$47, while its parent *Hongkong and Shanghai* Banking firmed 20 cents to HK$1.70 ahead *of today's results.*

Properties were aided by Friday's announcement by Hongkong Land of sharply higher profits. HK Land edged 5 cents up to HK$7.90, New World was 30 cents stronger at HK$11.10 and SHK Properties *gained 30 cents to HK$23.00.*

Utilities brightened despite increasing uncertainty over Hongkong Electric's planned restructuring.

SINGAPORE

MODEST bargain hunting outweighed profit-taking in fairly active Singapore trading that took the Straits Times industrial index 4.43 points higher to 1,077.21, a record high. Turnover dipped to 41m shares from Friday's 57.3m.

Malaysia Resources, most active again with 2.1m shares traded, lost 1½ cents to *37½ cents*, while Arab Malaysian Development added 1 cent to *95 cents on 1.1m shares.*

Sime Darby's lower interim results triggered a small *sell-off forc*ing the group 4 cents down to S$2.75.

Banks were busy with Malayan Banking scoring one of the largest rises of the session with its 30-cent advance to S$6.95, while DBS dropped 10 cents to S$12.00 and OCBC closed 5 cents cheaper at S$9.95.

AUSTRALIA

THE RECORD run was halted in Sydney as profit-takers moved in quickly *after last week's* peak performance. Local turnover was boosted slightly because of the closure of the Melbourne exchange, although foreign demand retained its normal slack tone on Monday.

Buying pressure was evident in some sectors, particularly gold, and advances outnumbered declines by *a margin of three to two. The All* Ordinaries index at 1,640.9 was down 5.8 points.

BHP, most active with 3.4m shares changing hands, held steady at A$10.60 after an early A$10.70 as demand focused on the group's gold mine offshoot. Shareholders will be entitled to one BHP Gold Mine share for every three BHP shares held at a price of 50 cents each. Some brokers *expect the gold mine* unit to start trading at A$1 each.

Aids-related issues were mixed with Private Blood Bank rallying A$1.10 to A$6.40 and Pacific Dunlop unchanged at A$5.06.

Some gold issues were active with Poseidon jumping 22 cents to A$8.22 and Emperor Mines 20 cents higher at A$7.50. Isolated diamond issues were also firmer.